## 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. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") *(Continued)*

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 33 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11, 15 and 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") *(Continued)*

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. SSAP 28 has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment. The required new additional disclosures are included in note 31 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"

The revisions to SSAPs 10 and 17 have had no significant impact on the preparation of these financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

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 and certain equity investments, 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 2002. The results of the subsidiaries acquired or disposed of during the year 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

**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 impairment losses.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

**Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Impairment of assets** *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. 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.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. 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.

## 3. 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 | $33^{1}/_{3}$% |
| Furniture and fixtures | 10–20% |
| Motor vehicles and vessels | 20% |
| Data centre, help desk and print centre | 10% |

**Intangible assets**

*Research and development costs*

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop 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.

*Patents and licences*

Purchased patents and licences are stated at cost and amortised on the straight-line basis over their estimated useful lives of two years.

**Club memberships**

Club memberships are stated at cost less any impairment losses.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Listed investment**

Listed investment is an investment in an equity security not held for trading purposes and is stated at its fair value on the basis of its quoted market price at the balance sheet date, as adjusted to reflect the reduction in price resulting from the size of the holding or all future costs likely to be incurred in disposing of the interest over time.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the 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.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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 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 lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit and loss account on the straight-line basis over the lease terms.

**Retirement benefits schemes**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1 December 2000. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Retirement benefits schemes** *(Continued)*

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution Mandatory Provident Fund Exempted ORSO retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. With effect from 1 December 2001, the prior scheme was terminated.

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 to the directors under the scheme. 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 percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(iii) dividend income, when the shareholders' right to receive payment has been established; and

(iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 31 to the financial statements.

**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.

## 4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the computer products segment engages in the selling of computer equipment, computer software, patents and licences; and

(b) the engineering and software services segment engages in the provision of system integration, system development, maintenance services and outsourcing services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. SEGMENT INFORMATION *(Continued)*

### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

**Group**

| | Computer products | | Engineering and software services | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment revenue: | | | | | | |
| Sales to external customers | **1,002,625** | 1,031,813 | **292,424** | 254,890 | **1,295,049** | 1,286,703 |
| Segment results | **17,370** | 60,280 | **68,943** | 50,528 | **86,313** | 110,808 |
| Gain on partial disposal of an interest in an associate | | | | | **39,151** | 15,255 |
| Unallocated other revenue and gains | | | | | **4,395** | 7,580 |
| Unallocated expenses | | | | | **(51,639)** | (53,516) |
| Profit from operating activities | | | | | **78,220** | 80,127 |
| Finance costs | | | | | **(3,232)** | (6,396) |
| Share of profits less losses of associates | | | | | **10,869** | 14,419 |
| Profit before tax | | | | | **85,857** | 88,150 |
| Tax | | | | | **(8,316)** | (13,735) |
| Profit before minority interests | | | | | **77,541** | 74,415 |
| Minority interests | | | | | **(818)** | (866) |
| Net profit from ordinary activities attributable to shareholders | | | | | **76,723** | 73,549 |

## 4. SEGMENT INFORMATION *(Continued)*

### (a) Business segments *(Continued)*

**Group**

| | Computer products | | Engineering and software services | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment assets | **301,239** | 412,923 | **90,207** | 78,454 | **391,446** | 491,377 |
| Interests in associates | | | | | **585** | 45,529 |
| Unallocated assets | | | | | **471,618** | 277,649 |
| Bank overdrafts included in unallocated assets | | | | | **1,961** | 4,642 |
| Total assets | | | | | **865,610** | 819,197 |
| Segment liabilities | **231,664** | 286,826 | **63,461** | 68,716 | **295,125** | 355,542 |
| Unallocated liabilities | | | | | **77,367** | 116,165 |
| Bank overdrafts included in unallocated assets | | | | | **1,961** | 4,642 |
| Total liabilities | | | | | **374,453** | 476,349 |
| Other segment information: | | | | | | |
| Depreciation and amortisation | **8,981** | 4,554 | **21,260** | 14,542 | **30,241** | 19,096 |
| Unallocated amount | | | | | **5,621** | 5,279 |
| | | | | | **35,862** | 24,375 |
| Capital expenditure | **14,127** | 6,152 | **23,202** | 37,030 | **37,329** | 43,182 |
| Unallocated amount | | | | | **16,607** | 8,827 |
| | | | | | **53,936** | 52,009 |
| Gain on partial disposal of an interest in an associate | | | | | **39,151** | 15,255 |

## 4. SEGMENT INFORMATION *(Continued)*

### (b) Geographical segments

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

**Group**

| | Hong Kong | | Outside Hong Kong | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | **1,262,858** | 1,268,493 | **32,191** | 18,210 | **–** | – | **1,295,049** | 1,286,703 |
| Intersegment sales | **13,501** | 11,751 | **739** | 188 | **(14,240)** | (11,939) | **–** | – |
| | **1,276,359** | 1,280,244 | **32,930** | 18,398 | **(14,240)** | (11,939) | **1,295,049** | 1,286,703 |
| Segment results | **84,640** | 108,045 | **1,673** | 2,763 | **–** | – | **86,313** | 110,808 |
| Other segment information: | | | | | | | | |
| Segment assets | **847,530** | 803,755 | **16,119** | 10,800 | **–** | – | **863,649** | 814,555 |
| Bank overdrafts included in segment assets | **–** | 2,746 | **1,961** | 1,896 | **–** | – | **1,961** | 4,642 |
| | | | | | | | **865,610** | 819,197 |
| Capital expenditure | **51,110** | 49,007 | **2,826** | 3,002 | **–** | – | **53,936** | 52,009 |

## 5. TURNOVER, REVENUE AND GAINS

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

An analysis of turnover, other revenue and gains is as follows:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| **Turnover** | | |
| Sale of goods | **1,002,625** | 1,031,813 |
| Rendering of services | **292,424** | 254,890 |
| | **1,295,049** | 1,286,703 |
| **Other revenue** | | |
| Bank interest income | **2,634** | 4,730 |
| Management fee income | **838** | 2,452 |
| Other income | **861** | 398 |
| | **4,333** | 7,580 |
| **Gains** | | |
| Gain on partial disposal of an interest in an associate | **39,151** | 15,255 |
| Gain on disposal of fixed assets | **62** | – |
| | **39,213** | 15,255 |
| | **43,546** | 22,835 |

## 6. PROFIT FROM OPERATING ACTIVITIES

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

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Cost of sales | **899,928** | 906,369 |
| Cost of services provided | **53,106** | 53,935 |
| | **953,034** | 960,304 |
| Auditors' remuneration | **692** | 617 |
| Depreciation: | | |
| Fixed assets | **29,122** | 21,754 |
| *Less:* Amount capitalised | **–** | (485) |
| | **29,122** | 21,269 |
| Amortisation of deferred development costs* | **3,490** | 3,106 |
| Amortisation of patents and licences* | **3,250** | – |
| Loss on deemed disposal of an interest in an associate | **1,250** | 39 |
| Write-off of outsourcing contract costs | **4,859** | 9,543 |
| Staff costs (including directors' remuneration – *note 8*): | | |
| Wages and salaries | **202,902** | 191,581 |
| Provident fund contributions | **11,213** | 8,668 |
| *Less:* Forfeited contributions | **(516)** | (2,350) |
| Net provident fund contributions** | **10,697** | 6,318 |
| | **213,599** | 197,899 |
| *Less:* Amount capitalised | **–** | (6,166) |
| | **213,599** | 191,733 |
| Minimum lease payments under operating leases: | | |
| Land and buildings | **10,842** | 5,195 |
| Less: Amount capitalised | **–** | (62) |
| | **10,842** | 5,133 |
| Foreign exchange losses/(gains) – net | **736** | (243) |
| (Gain)/loss on disposal of fixed assets | **(62)** | 1,023 |

## 6. PROFIT FROM OPERATING ACTIVITIES *(Continued)*

* The amortisation of deferred development costs and patents and licences for the year are included in "Sales and technical support costs" on the face of the profit and loss account.

** At the balance sheet date, no forfeited provident fund contributions were available to reduce the Group's future provident fund contributions (2001: Nil). The current year's forfeited contributions arose in respect of staff who left the scheme during the year.

## 7. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Interest on bank loans and overdrafts wholly repayable within five years | **3,232** | 6,396 |

## 8. DIRECTORS' REMUNERATION

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

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Fees: | | |
| Executive directors | **–** | – |
| Non-executive directors | **439** | 170 |
| Independent non-executive directors | **100** | 100 |
| | **539** | 270 |
| Other emoluments: | | |
| Executive directors: | | |
| Salaries, allowances and benefits in kind | **4,959** | 4,657 |
| Provident fund contributions | **1,614** | 1,539 |
| Bonuses payable *(note)* | **18,395** | 3,550 |
| | **25,507** | 10,016 |

## 8. DIRECTORS' REMUNERATION *(Continued)*

*Note:* Under the five year incentive scheme put in place by CSA Holdings Ltd, 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 Ltd in excess of the agreed threshold. A provision for the estimated incentive bonus payable is set out in note 25 to the financial statements. As the executive directors had become entitled to receive such bonuses by 31 March 2002, the amounts have been included in the details of directors' remuneration set out above. This is the only supplemental bonus scheme that has been put in place and the full amount will be paid in one lump sum when the payment is approved by CSA Holdings Ltd.

The number of directors whose remuneration fell within the following bands is as follows:

| | Number of directors | |
|---|---|---|
| | **2002** | 2001 |
| Nil – HK$1,000,000 | **9** | 7 |
| HK$1,000,001 – HK$1,500,000 | **1** | 1 |
| HK$3,000,001 – HK$3,500,000 | **–** | 1 |
| HK$5,000,001 – HK$5,500,000 | **–** | 1 |
| HK$9,000,001 – HK$9,500,000 | **1** | – |
| HK$14,000,001 – HK$14,500,000 | **1** | – |
| | **12** | 10 |

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

During the year, 562,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 30 to 33. No value in respect of the share options granted during the year has been charged to the profit and loss account.

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.

## 9. FIVE HIGHEST-PAID EMPLOYEES

The five highest-paid employees during the year included three (2001: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2001: three) non-director, highest paid employees are set out below:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **2,518** | 2,774 |
| Bonuses payable | **–** | 1,294 |
| Provident fund contributions | **166** | 178 |
| | **2,684** | 4,246 |

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2002** | 2001 |
| HK$1,000,001 – HK$1,500,000 | **2** | 3 |

During the year, 182,000 share options were granted to the two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on pages 30 to 33. No value in respect of the share options granted during the year has been charged to the profit and loss account.

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits which were earned in or derived from Hong Kong during the year. Provisions 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 Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | | Group | |
|---|---|---|---|
| | | **2002** | 2001 |
| | *Note* | **HK$'000** | HK$'000 |
| Group: | | | |
| Hong Kong | | **4,244** | 8,050 |
| Elsewhere | | **2,994** | 1,876 |
| Deferred | 29 | **–** | 3,000 |
| | | **7,238** | 12,926 |
| Share of tax attributable to: | | | |
| Associates | | **1,078** | 809 |
| Tax charge for the year | | **8,316** | 13,735 |

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities of the Company for the year dealt with in the consolidated profit and loss account amounted to HK$13,409,000 (2001: HK$11,867,000). The Group's share of profit retained by its associates for the year amounted to HK$9,791,000 (2001: HK$13,610,000).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK$3,011,000 to the Company's net profit for that year, a debit of HK$5,698,000 to the Company's retained profits as at 1 April 2000 and a credit of HK$8,709,000 to the amount due from a subsidiary in the Company's balance sheet as at 31 March 2001. The prior year adjustment reversed dividends from a subsidiary which were declared and approved by the subsidiary after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 31 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$44,000 to HK$13,409,000, as disclosed above, representing the net effect of the prior year adjustment of HK$8,709,000 and the dividend declared by the subsidiary after the current balance sheet date of HK$8,665,000.

## 12. DIVIDENDS

| | Company | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Interim – 2 cents (2001: 3 cents) per ordinary share | **5,806** | 8,547 |
| Proposed final – 3 cents (2001: 3 cents) per ordinary share | **8,665** | 8,709 |
| | **14,471** | 17,256 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK$8,709,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK$8,709,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year's proposed final dividend of HK$8,665,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

## 13. EARNINGS PER SHARE

The basic and diluted earnings per share amounts are based on the net profit attributable to shareholders of HK$76,723,000 (2001: HK$73,549,000).

The basic earnings per share amount is based on the weighted average number of 288,098,333 shares (2001: 284,925,833) in issue during the year. The diluted earnings per share amount is based on 289,470,951 shares (2001: 290,052,817), which comprises the weighted average of the shares in issue during the year plus the weighted average number of 1,372,618 shares (2001: 5,126,984) deemed to be issued at no consideration if all outstanding share options had been exercised.

## 14. 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 | 93,534 | 7,383 | 26,611 | 4,411 | 7,245 | 229,184 |
| Additions | – | 34,393 | 4,677 | 6,875 | 191 | – | 46,136 |
| Disposals | – | (3,667) | (1,188) | (13) | (53) | – | (4,921) |
| Exchange realignment | – | 15 | – | – | 6 | – | 21 |
| **At 31 March 2002** | **90,000** | **124,275** | **10,872** | **33,473** | **4,555** | **7,245** | **270,420** |
| Accumulated depreciation: | | | | | | | |
| At beginning of year | 4,556 | 51,159 | 478 | 13,145 | 2,304 | 346 | 71,988 |
| Provided during the year | 2,025 | 17,375 | 3,417 | 4,862 | 718 | 725 | 29,122 |
| Disposals | – | (1,425) | (261) | (12) | (33) | – | (1,731) |
| Exchange realignment | – | 2 | – | – | 1 | – | 3 |
| **At 31 March 2002** | **6,581** | **67,111** | **3,634** | **17,995** | **2,990** | **1,071** | **99,382** |
| Net book value: | | | | | | | |
| **At 31 March 2002** | **83,419** | **57,164** | **7,238** | **15,478** | **1,565** | **6,174** | **171,038** |
| At 31 March 2001 | 85,444 | 42,375 | 6,905 | 13,466 | 2,107 | 6,899 | 157,196 |
| At cost | – | 57,164 | 7,238 | 15,478 | 1,565 | 6,174 | 87,619 |
| At valuation | 83,419 | – | – | – | – | – | 83,419 |
| | 83,419 | 57,164 | 7,238 | 15,478 | 1,565 | 6,174 | 171,038 |

## 14. FIXED ASSETS *(Continued)*

At 31 March 2002, 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 2002 would have been HK$86,375,000 (2001: HK$88,831,000).

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

## 15. INTERESTS IN SUBSIDIARIES

| | **Company** | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Unlisted shares, at cost | **118,304** | 118,304 |
| Due from subsidiaries | **69,817** | 81,486 |
| | **188,121** | 199,790 |

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

The amounts due from subsidiaries at the prior year end have been adjusted for the effect of the prior year adjustment of HK$8,709,000 in respect of the dividend proposed after the prior year's balance sheet date, as further explained in note 11 to the financial statements.

## 15. INTERESTS IN SUBSIDIARIES *(Continued)*

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

| Company name | Place of incorporation and operations | Nominal value of issued and fully paid share capital | Percentage of equity attributable to the Company 2002 | 2001 | Principal activities |
|---|---|---|---|---|---|
| Automated Systems (H.K.) Limited | Hong Kong | HK$2 ordinary shares<br>HK$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 ("ELM") | Hong Kong | HK$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** | 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 subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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.

## 16. INTERESTS IN ASSOCIATES

| | Group 2002 HK$'000 | Group 2001 HK$'000 |
|---|---|---|
| Share of net assets | **597** | 45,564 |
| Due from an associate | **–** | 1 |
| Due to an associate | **(12)** | (36) |
| | **585** | 45,529 |

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

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

| Company name | Business structure | Place of incorporation and operations | Nominal value of issued and fully paid share capital | Percentage of equity attributable to the Group 2002 | Percentage of equity attributable to the Group 2001 | Principal activities |
|---|---|---|---|---|---|---|
| Data Systems Consulting Company, Limited ("DSC") | Corporate | Taiwan | NT$647,000,000 (2001: NT$441,688,000) | **–*** | 24.36 | Selling of computer products and the provision of engineering and software services |
| ASL Automated Services (Thailand) Limited | Corporate | Thailand | BHT10,000,000 | **44.1** | 44.1 | Provision of engineering and software services |
| IN Systems (Macao) Limited | Corporate | Macau | MOP690,000 | **$33^1/_3$** | $33^1/_3$ | Provision of engineering and software services |

* During the current year, the Group's interest in DSC was reclassified as a listed investment (note 19) because the Group's equity interest in DSC had been reduced to below 20% and the Group was no longer in a position to exercise significant influence over DSC.

## 17. INTANGIBLE ASSETS

| | Deferred development costs | Patents and licences | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Cost: | | | |
| At beginning of year | 21,701 | – | 21,701 |
| Additions | – | 7,800 | 7,800 |
| **At 31 March 2002** | **21,701** | **7,800** | **29,501** |
| Accumulated amortisation: | | | |
| At beginning of year | 17,170 | – | 17,170 |
| Provided during the year | 3,490 | 3,250 | 6,740 |
| **At 31 March 2002** | **20,660** | **3,250** | **23,910** |
| Net book value: | | | |
| **At 31 March 2002** | **1,041** | **4,550** | **5,591** |
| At 31 March 2001 | 4,531 | – | 4,531 |

## 18. CLUB MEMBERSHIPS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Transferable club membership debentures | **900** | 900 | **–** | 500 |

## 19. LISTED INVESTMENT

| | Group 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|
| Listed equity investment, at fair value: | | |
| Overseas | **123,215** | – |

The listed investment at the balance sheet date represented the Group's investment in its former associate, DSC, as further detailed in note 16 to the financial statements. The DSC shares are not held for trading purposes, however, the Group intends to dispose of all of its remaining interest in DSC within one year from the balance sheet date, therefore, the investment is classified as a listed investment and is included in current assets.

Particulars of the Group's listed investment as at the balance sheet date are as follows:

| Company name | Business structure | Place of incorporation and operations | Nominal value of issued and fully paid share capital | Percentage of equity attributable to the Group 2002 | 2001 | Principal activities |
|---|---|---|---|---|---|---|
| DSC | Corporate | Taiwan | NT$647,000,000 (2001: NT$441,688,000) | **17.39** | –* | Selling of computer products and the provision of engineering and software services |

* In prior years, the Group's interest in DSC had been accounted for as an associate. *(Note 16)*

## 20. INVENTORIES

| | Group 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|
| Goods held for resale | **76,896** | 83,899 |
| Goods held for customers' acceptance | **47,500** | 119,128 |
| Contracts in progress | **14,646** | – |
| | **139,042** | 203,027 |

## 21. TRADE RECEIVABLES

The Group has granted credit to substantially all of its debtors for 30 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures in place to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of provisions, is as follows:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Current | **83,213** | 88,433 |
| 0–1 month | **42,984** | 54,852 |
| 1–2 months | **25,195** | 10,353 |
| 2–3 months | **13,093** | 17,285 |
| Over 3 months | **5,126** | 18,752 |
| | **169,611** | 189,675 |

## 22. OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2002** | 2001 | **2002** | 2001 |
| | *Notes* | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other debtors, prepayments and deposits | | **20,165** | 38,341 | **847** | 966 |
| Due from the immediate holding company | 27 | **526** | 572 | **–** | – |
| Due from fellow subsidiaries | 27 | **3,112** | 26,866 | **91** | 91 |
| | | **23,803** | 65,779 | **938** | 1,057 |

## 23. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | **53,898** | 85,691 | **3,183** | 5,602 |
| Time deposits | **177,927** | 66,556 | **23,838** | 5,449 |
| | **231,825** | 152,247 | **27,021** | 11,051 |

## 24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Current | **75,189** | 74,729 |
| 0–1 month | **31,891** | 30,027 |
| 1–2 months | **5,909** | 4,498 |
| 2–3 months | **3,458** | 914 |
| Over 3 months | **3,092** | 1,286 |
| | **119,539** | 111,454 |

## 25. OTHER PAYABLES AND ACCRUALS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2002** | 2001 | **2002** | 2001 |
| | *Notes* | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other creditors and accruals | | **71,565** | 92,085 | **2,892** | 5,804 |
| Accruals for incentive bonuses | | **18,000** | 12,000 | **18,000** | 12,000 |
| Due to the ultimate holding company | 27 | **825** | 852 | **–** | – |
| Due to the immediate holding company | 27 | **–** | – | **313** | 285 |
| Due to fellow subsidiaries | 27 | **9,266** | 1,913 | **–** | – |
| Due to related companies | 28 | **969** | 999 | **–** | – |
| | | **100,625** | 107,849 | **21,205** | 18,089 |

## 26. INTEREST-BEARING BANK BORROWINGS

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Repayable within one year or on demand: | | |
| Bank overdrafts | **1,961** | 4,642 |
| Trust receipt loans | **33,959** | 76,765 |
| Bank loan, unsecured | **2,701** | – |
| | **38,621** | 81,407 |

## 27. 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.

## 28. DUE TO RELATED COMPANIES

| | Group 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|
| Computer Systems Advisers Limited | **932** | 935 |
| CSA P.T. Cita Simas Artha | **1** | 64 |
| Data Systems Consulting Company, Limited | **36** | – |
| | **969** | 999 |

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 trading terms.

## 29. DEFERRED TAX

| | *Note* | Group 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|---|
| At beginning of year | | **5,984** | 2,984 |
| Charge for the year | 10 | **–** | 3,000 |
| At 31 March | | **5,984** | 5,984 |

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 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|
| Accelerated capital allowances | **4,721** | 1,893 |
| Deferred development costs | **167** | 725 |
| Provision for outsourcing contract costs | **–** | (1,429) |
| Unutilised tax losses carried forward | **(22)** | (594) |
| Others | **889** | 397 |
| | **5,755** | 992 |

## 29. DEFERRED TAX *(Continued)*

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.

The Company had no unprovided deferred tax at the balance sheet date (2001: Nil).

## 30. SHARE CAPITAL

**Shares**

| | Company | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Authorised: | | |
| 600,000,000 ordinary shares of HK$0.10 each | **60,000** | 60,000 |
| Issued and fully paid: | | |
| 288,830,000 (2001: 287,190,000) ordinary shares of HK$0.10 each | **28,883** | 28,719 |

During the year, the subscription rights attaching to 1,630,000 and 10,000 share options were exercised at the subscription prices of HK$0.90 and HK$2.30 per share, respectively, resulting in the issue of 1,640,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$1,490,000.

In the prior year, 3,000,000 share options were exercised, resulting in the issue of 3,000,000 shares.

**Share options**

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 30 to 33.

At the beginning of the year, there were 9,695,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 3 March 2001 to 30 June 2010. The subscription prices per share payable upon the exercise of these options ranged from HK$0.90 to HK$3.40, subject to adjustment.

## 30. SHARE CAPITAL *(Continued)*

**Share options** *(Continued)*

During the year, the Company granted a total of 3,176,000 share options under the Scheme for a nominal consideration of HK$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 27 July 2003 to 26 July 2011. The subscription price per share payable upon the exercise of these options is HK$2.40, subject to adjustment.

1,630,000 and 10,000 share options were exercised during the year at an exercise price per share of HK$0.90 and HK$2.30, respectively, and a total of 196,000 share options with exercise prices per share ranging from HK$2.30 to HK$3.40 were cancelled during the year.

At the balance sheet date, the Company had 11,035,000 share options outstanding under the Scheme, with exercise periods ranging from 3 March 2001 to 26 July 2011 and exercise prices per share ranging from HK$0.90 to HK$3.40. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,035,000 additional ordinary shares of HK$0.10 each for aggregate proceeds of HK$27,453,000 before the related share issue expenses.

## 31. RESERVES

| | Share premium account HK$'000 | Contributed surplus HK$'000 | Investment revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At 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 for the year | – | – | – | – | 73,549 | 73,549 |
| Interim 2001 dividend | – | – | – | – | (8,547) | (8,547) |
| Proposed final 2001 dividend | – | – | – | – | (8,709) | (8,709) |
| At 31 March and 1 April 2001 | 67,473 | 34,350 | – | (2,348) | 203,736 | 303,211 |
| Issue of shares | 1,326 | – | – | – | – | 1,326 |
| Exchange realignments | – | – | – | (3,323) | – | (3,323) |
| Transfer to profit and loss account on partial disposal of an interest in an associate | – | – | – | 1,176 | – | 1,176 |
| Surplus on revaluation | – | – | 85,940 | – | – | 85,940 |
| Reclassifications# | – | – | (7,880) | 4,411 | 3,469 | – |
| Net profit for the year | – | – | – | – | 76,723 | 76,723 |
| Interim 2002 dividend | – | – | – | – | (5,806) | (5,806) |
| Proposed final 2002 dividend | – | (8,665) | – | – | – | (8,665) |
| **At 31 March 2002** | **68,799** | **25,685** | **78,060** | **(84)** | **278,122** | **450,582** |
| Reserves retained by: | | | | | | |
| Company and subsidiaries | 68,799 | 25,685 | 78,060 | (84) | 278,521 | 450,981 |
| Associates | – | – | – | – | (399) | (399) |
| **At 31 March 2002** | **68,799** | **25,685** | **78,060** | **(84)** | **278,122** | **450,582** |
| 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 |

# As further detailed in note 16, the Group's interest in DSC was reclassified as a listed investment during the year. The attributable goodwill previously eliminated against consolidated reserves and the related exchange reserve were transferred to the investment revaluation reserve as part of the surplus arising on the revaluation of the listed investment to fair value at the balance sheet date.

## 31. RESERVES *(Continued)*

| | Share premium account HK$'000 | Contributed surplus HK$'000 | Retained profits/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Company** | | | | |
| At 1 April 2000: | | | | |
| As previously reported | 65,486 | 97,086 | 3,552 | 166,124 |
| Prior year adjustment: | | | | |
| SSAP 18 (Revised) – net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year *(notes 2 and 11)* | – | – | (5,698) | (5,698) |
| As restated | 65,486 | 97,086 | (2,146) | 160,426 |
| Issue of shares | 1,987 | – | – | 1,987 |
| Net profit for the year (as restated) | – | – | 11,867 | 11,867 |
| Interim 2001 dividend | – | – | (8,547) | (8,547) |
| Proposed final 2001 dividend | – | – | (8,709) | (8,709) |
| | 67,473 | 97,086 | (7,535) | 157,024 |
| At 31 March and 1 April 2001: | | | | |
| As previously reported | 67,473 | 97,086 | 1,174 | 165,733 |
| Prior year adjustment: | | | | |
| SSAP 18 (Revised) – net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year *(notes 2 and 11)* | – | – | (8,709) | (8,709) |
| As restated | 67,473 | 97,086 | (7,535) | 157,024 |
| Issue of shares | 1,326 | – | – | 1,326 |
| Net profit for the year | – | – | 13,409 | 13,409 |
| Interim 2002 dividend | – | – | (5,806) | (5,806) |
| Proposed final 2002 dividend | – | (8,665) | – | (8,665) |
| **At 31 March 2002** | **68,799** | **88,421** | **68** | **157,288** |

## 31. RESERVES *(Continued)*

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.

## 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

| | 2002<br>HK$'000 | 2001<br>HK$'000 |
|---|---|---|
| Profit from operating activities | **78,220** | 80,127 |
| Interest income | **(2,634)** | (4,730) |
| Depreciation | **29,122** | 21,754 |
| Gain on partial disposal of an interest in an associate | **(39,151)** | (15,255) |
| Loss on deemed disposal of an interest in an associate | **1,250** | 39 |
| Amortisation of deferred development costs | **3,490** | 3,106 |
| Amortisation of patents and licences | **3,250** | – |
| (Gain)/loss on disposal of fixed assets | **(62)** | 1,023 |
| Decrease/(increase) in inventories | **63,985** | (53,603) |
| Decrease/(increase) in trade receivables | **20,064** | (41,509) |
| Decrease/(increase) in other debtors, deposits and prepayments | **3,698** | (8,536) |
| Decrease in an amount due from the immediate holding company | **46** | 33 |
| Decrease/(increase) in amounts due from fellow subsidiaries, net | **31,107** | (21,270) |
| Increase in balances with associates | **(23)** | (1) |
| Increase in trade and bills payables | **8,085** | 3,003 |
| (Decrease)/increase in other creditors and accruals | **(21,020)** | 58,040 |
| (Decrease)/increase in unearned revenue | **(59,752)** | 58,553 |
| (Decrease)/increase in an amount due to the ultimate holding company | **(27)** | 852 |
| Decrease in amount due to related companies | **(30)** | (428) |
| Net cash inflow from operating activities | **119,618** | 81,198 |

## 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

### (b) Analysis of changes in financing during the year

| | Issued capital (including share premium account) HK$'000 | Bank loan HK$'000 | Minority interests HK$'000 |
|---|---|---|---|
| At 1 April 2000 | 93,905 | – | 1,429 |
| Cash inflow from financing, net | 2,287 | – | – |
| Share of profit for the year | – | – | 866 |
| Advance of a minority shareholder | – | – | (86) |
| At 31 March and 1 April 2001 | 96,192 | – | 2,209 |
| Cash inflow from financing, net | 1,490 | 2,701 | – |
| Share of profit for the year | – | – | 818 |
| **At 31 March 2002** | **97,682** | **2,701** | **3,027** |

## 33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2002 HK$'000** | 2001 HK$'000 (Restated) |
| Within one year | **3,603** | 5,612 |
| In the second to fifth years, inclusive | **1,767** | 2,284 |
| | **5,370** | 7,896 |

The Company had no lease commitments as at 31 March 2002.

## 33. OPERATING LEASE ARRANGEMENTS *(Continued)*

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee above have been restated to accord with the current year's presentation.

## 34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group and the Company had the following capital commitments at the balance sheet date:

| | **Group and Company** | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Contracted for | **–** | 4,934 |
| Authorised, but not contracted for | **700** | – |
| | **700** | 4,934 |

## 35. RELATED PARTY TRANSACTIONS

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

| | | Group | |
|---|---|---|---|
| | | **2002** | 2001 |
| | *Note* | **HK$'000** | HK$'000 |
| Management fees received from Automated Systems (PRC) Limited ("ASL PRC") | (i) | **838** | 2,452 |
| Rental income received from ASL PRC | (ii) | **81** | 175 |
| Expenses reimbursed to ASL PRC | (v) | **282** | 282 |
| Expenses reimbursed to CSC Computer Sciences Pte Limited ("CSC Pte") | (vi) | **4,580** | – |
| Expenses reimbursed from CSC Computer Sciences (HK) Ltd ("CSC HK") | (vii) | **156** | – |
| Expenses reimbursed from CSC Pte | (vii) | **421** | – |
| Sales to CSC HK | (iii) | **709** | 28,490 |
| Sales to CSC Pte | (iii) | **936** | 78 |
| Sales to ASL PRC | (iii) | **1,452** | 3,896 |
| Purchases from ASL PRC | (iv) | **2,703** | 1,353 |
| Sales to CSA Automated Pte Limited | (iii) | **610** | 2,674 |
| Purchases from CSA Automated Pte Limited | (iv) | **173** | 497 |
| Sales to CSA (M) Berhad | (iii) | **608** | 703 |
| Purchases from CSA (M) Berhad | (iv) | **36** | 427 |
| Purchases from CSA P.T. Cita Simas Artha | (iv) | **16** | 66 |
| Purchases from CSA Msc Sdn Bhd | (iv) | **253** | 465 |

(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 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 administration 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$7,000 (2001: HK$16,000) was calculated by reference to open market rentals as confirmed to the Company by a firm of independent real estate agents.

(iii) The sales to the related companies are made according to the published prices and conditions offered to the major customers of the Group.

## 35. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) The 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 employees and were reimbursed to ASL PRC at cost.

(vi) The amount related to the general and administrative expenses reimbursed to CSC Pte in relation to the management of an outsourcing project on behalf of the Group. The recharge is based on a mutually agreed formula which is determined by a percentage on the operating expenses incurred by the outsourcing project.

(vii) The amount related to the rental expenses and miscellaneous expenses incurred by the employees of CSC HK and CSC Pte. and were reimbursed by the Group at cost.

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

## 36. CONNECTED TRANSACTIONS

In addition to the transactions detailed in note 35 above, additional connected transactions disclosed in accordance with Chapter 14 of the Listing Rules are as follows:

| | | **Group** | |
|---|---|---|---|
| | | **2002** | 2001 |
| | *Note* | **HK$'000** | HK$'000 |
| Sales to ELM | (i) | **4,834** | 4,817 |
| Purchases from ELM | (ii) | **2,665** | 4,299 |

*Notes:*

(i) The sales are made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases are made according to the published prices and conditions similar to those offered by the major suppliers of the Group.

## 37. CONTINGENT LIABILITIES

As at 31 March 2002, the Group and the Company had the following contingent liabilities:

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Corporate guarantees given to banks to secure the banking facilities of certain subsidiaries *(note)* | **–** | – | **350,000** | 355,000 |
| Letter of guarantee to a supplier | **–** | – | **44,772** | 15,600 |
| Counter indemnities given to banks to indemnify letters of guarantee issued by the banks to the Group's customers | **13,858** | 8,068 | **–** | – |
| | **13,858** | 8,068 | **394,772** | 370,600 |

*Note*: The banking facilities were utilised to the extent of HK$59,375,000 as at 31 March 2002.

## 38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

## 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 May 2002.