

The directors present their first report and the audited financial statements for the period from 5 December 2000 (date of incorporation) to 31 December 2001.

CORPORATE REORGANISATION AND LISTING OF THE COMPANY'S SHARES ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The Company was incorporated in the Cayman Islands with limited liability on 5 December 2000 under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. Pursuant to a group reorganisation of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 29 August 2001. Details of the group reorganisation are set out in the paragraph headed "Group Reorganisation" in appendix V of the prospectus of the Company dated 12 October 2001.

The shares of the Company have been listed on the Stock Exchange since 24 October 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30 to the financial statements.

CHANGE OF NAME

Pursuant to the special resolution of the shareholders on 26 July 2001, the Company changed its name from Arcon Group Holdings Limited to Artel Solutions Group Holdings Limited with effect from 27 July 2001.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 20 of the annual report.

An interim dividend amounting to HK\$60,000,000 was declared and paid before the Group Reorganisation by a subsidiary to the then shareholder of that subsidiary.

The directors recommend the payment of a final dividend of HK\$0.02 per share to the shareholders on the register of members on 23 May 2002, amounting to HK\$32 million, and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the four years ended 31 December 2001 is set out on page 47 of the annual report.

PLANT AND EQUIPMENT

Details of the movements during the year in the plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the authorised, issued and fully paid share capital of the Company during the period are set out in note 21 to the financial statements.

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company's share option scheme (the Scheme) was adopted pursuant to a resolution passed on 29 August 2001 for the purpose of recognition of the contribution from directors and eligible employees of the Group, and will expire in August 2011. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the expiry of 6 months from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, and will not be less than the higher of the average closing price of the shares for the five business days immediately preceding the date of grant or the closing price of the shares on the date of grant.

No option was granted by the Company during the period since the adoption of the Scheme.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year/period are set out in note 22 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company since its date of incorporation and up to the date of this report were:

Executive directors:

Yu Pen Hung	(appointed on 29 December 2000)
Chen Lee Shu	(appointed as alternative director to Yu Pen Hung or Chao Wei Neng, William on 29 December 2000, resigned on 2 May 2001 and re-appointed as an executive director on 1 June 2001)
Yu Chi Ming, Frederick	(appointed on 1 June 2001)
Chen Chih Ming	(appointed on 1 June 2001 and resigned on 31 January 2002)
Chao Wei Neng, William	(appointed on 29 December 2000 and resigned on 2 May 2001)
Neil T. Cox	(appointed on 5 December 2000 and resigned on 29 December 2000)

Independent non-executive directors:

Liu James Juh	(appointed on 1 June 2001)
Hu Gin Ing	(appointed on 1 June 2001)

In accordance with the provisions of the Company's Articles of Association, Mr. Yu Chi Ming, Frederick will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Each of the executive directors has entered into a service agreement with the Company under which they are to act as executive directors for an initial term of two years commencing from 1 September 2001 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' notice in writing. All executive directors may also be entitled to a management bonus provided that the aggregate amount of the bonuses payable to all the executive directors for any financial year of the Company may not exceed 5% of the audited consolidated or combined net profit of the Group (after taxation, minority interest and payment of such bonuses but excluding extraordinary items) in respect of that financial year of the Company. The directors' entitlement to the management bonus in respect of the year ended 31 December 2001 is conditional upon the combined net profit of the Company (after taxation, minority interest and payment of such bonuses but before extraordinary items) for that year exceeding HK\$113,000,000.

Each of the independent non-executive directors was appointed for a period of two years commencing on the respective appointment date.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2001, the interests of the directors and chief executives and their associates in the securities of the Company and its associated corporations ("securities" and "associated corporations" as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Interest in the Company's shares

Name	Personal interests	Family interests	Corporate interests	Other interests	Total no. of shares
Mr. Yu Pen Hung	–	–	1,200,000,000 (note)	–	1,200,000,000

Note: These shares are held by E-Career Investments Limited, a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Yu Pen Hung.

In addition to the above, the following directors held interests in the non-voting deferred shares of a wholly owned subsidiary of the Company as at 31 December 2001 as follows:

Name of subsidiary	Name of directors	Number of non-voting deferred shares held
Artel Industries Limited	Mr. Yu Pen Hung	6,400,000 shares of HK\$1 each
	Mr. Chao Wei Weng, William	1,600,000 shares of HK\$1 each

Other than as disclosed above and certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors or chief executives, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31 December 2001 maintained under Section 29 of the SDI Ordinance.

At no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the issue of shares of the Company pursuant to the Group Reorganisation mentioned above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, in addition to those interests as disclosed above in respect of the directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company directly or indirectly according to the register of substantial shareholders required to be maintained under section 16(1) of the SDI Ordinance:

Name	Number of shares	Approximate percentage of holding
E-Career Investments Limited (<i>note</i>)	1,200,000,000	75%
Mr. Yu Pen Hung (<i>note</i>)	1,200,000,000	75%

Note: The entire issued share capital of E-Career Investments Limited is beneficially owned by Mr. Yu Pen Hung. Therefore both E-Career Investments Limited and Mr. Yu Pen Hung are deemed to have the duplicate interests in the share capital of the Company by virtue of section 8 of the SDI Ordinance.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2001.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 67% of the turnover of the Group and the largest customer accounted for about 47.8% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 100% of its purchases for the year. Purchases from the largest supplier accounted for about 93.2% of its purchases.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 December 2001.

All transactions between the Group and its customers were carried out on normal commercial terms.

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the Mandatory Provident Fund Ordinance in making mandatory contributions for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

POST BALANCE SHEET EVENTS

There is no significant event occurring after the balance sheet date.

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company during the period. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors.

On behalf of the Board
Yu Pen Hung
Chairman

24 April 2002