

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 5 December 2000 as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands.

Pursuant to a group reorganisation (“Group Reorganisation”) of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 29 August 2001. The shares of the Company have been listed on the Stock Exchange since 24 October 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these financial statements have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group.

Further details of the Group Reorganisation are set out in the prospectus (“Prospectus”) issued by the Company dated 12 October 2001.

The Company is an investment holding company and the principal activities of the Group are the trading of computer components and the provision of e-enabling solutions and technical services.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following change to the Group’s accounting policies that has affected the amounts and disclosures reported for the current or prior periods.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE - continued

Operating leases commitments

In accordance with SSAP 14 (Revised) "Leases" which has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior year adjustment has been required. Disclosures for all of the Group's leasing arrangements have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment loss. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the rate of 20% per annum.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises invoiced value of goods purchased and is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve and are recognised as income or as expense in the year in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES - continued**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits costs

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes in Hong Kong and retirement plans in other jurisdictions for its employees.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services provided to outside customers, less trade discounts and returns during the year.

The Group's turnover and contribution to gross profit for the year analysed by principal activity are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover by principal activity:		
Distribution of computer components and information technology products	1,356,234	882,590
Provision of integrated e-enabling solutions	58,770	96,077
	<u>1,415,004</u>	<u>978,667</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised into two operating divisions as follows:

- Distribution of computer components and information technology products
- Provision of integrated e-enabling solutions

Notes to the Financial Statements

For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Segment information about these businesses is set out as follows:

For the year ended 31 December 2001/at 31 December 2001:

	Distribution of computer components and information technology products	Provision of integrated e-enabling solutions	Consolidated
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	1,356,234	58,770	1,415,004
RESULT			
Segment result	130,983	11,689	142,672
Other revenue			5,157
Unallocated corporate expenses			(64)
Profit from operations			147,765
Finance costs			(7,478)
Profit before taxation			140,287
Taxation			(23,007)
Profit attributable to shareholders			117,280
BALANCE SHEET			
Assets			
Segment assets	354,903	102,137	457,040
Unallocated corporate assets			174,193
Consolidated total assets			631,233
Liabilities			
Segment liabilities	226,586	25,058	251,644
Unallocated corporate liabilities			17,241
Consolidated total liabilities			268,885
OTHER INFORMATION			
Capital additions	2,621	39	2,660
Depreciation	751	8	759

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

For the year ended 31 December 2000/at 31 December 2000:

	Distribution of computer components and information technology products	Provision of integrated e-enabling solutions	Consolidated
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	882,590	96,077	978,667
RESULT			
Segment result	85,171	21,872	107,043
Other revenue			3,010
Unallocated corporate expenses			(13,634)
Profit from operations			96,419
Finance costs			(588)
Profit before taxation			95,831
Taxation			(14,883)
Profit attributable to shareholders			80,948
BALANCE SHEET			
Assets			
Segment assets	290,802	72,179	362,981
Unallocated corporate assets			68,942
Consolidated total assets			431,923
Liabilities			
Segment liabilities	271,796	21,068	292,864
Unallocated corporate liabilities			15,348
Consolidated total liabilities			308,212
OTHER INFORMATION			
Capital additions	796	–	796
Depreciation	151	–	151

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For the year ended 31 December 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Geographical segments

The Group's operations are substantially located in Hong Kong throughout the year. An analysis of the Group's sales by geographical market is set out as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover by geographical market:		
The People's Republic of China (the "PRC")	278,311	191,262
Hong Kong	1,136,693	787,405
	<u>1,415,004</u>	<u>978,667</u>
Contribution to gross profit by geographical market:		
PRC	56,245	38,634
Hong Kong	113,297	74,829
	<u>169,542</u>	<u>113,463</u>
Carrying amount of segment assets and additions to plant and equipment analysed by geographical market:		
PRC	206,501	167,333
Hong Kong	424,732	264,590
	<u>631,233</u>	<u>431,923</u>

6. COST OF SALES

	2001 HK\$'000	2000 HK\$'000
Cost of sales comprises:		
Purchase cost of goods sold	1,319,137	911,624
Rebates	(73,675)	(46,420)
	<u>1,245,462</u>	<u>865,204</u>

7. OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Interest on bank deposits	3,767	3,010
Sundry income	1,390	-
	<u>5,157</u>	<u>3,010</u>

8. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	650	307
Depreciation of plant and equipment	759	151
Loss on disposal of plant and equipment	67	49
Operating lease rentals in respect of rented premises	1,393	518
Staff costs:		
Directors' remuneration		
– fees	160	–
– other emoluments	5,719	5,918
	5,879	5,918
Staff costs excluding directors' remuneration	11,811	8,670
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	220	–
	17,910	14,588

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments:

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	160	–
	160	–
Other emoluments (executive directors):		
Salaries and other benefits	5,108	5,918
Bonus	590	–
Retirement benefits scheme contributions	21	–
Total emoluments	5,719	5,918

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For the year ended 31 December 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - continued

The emoluments of directors are within the following bands:

	Number of directors	
	2001	2000
Up to HK\$1,000,000	6	3
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
	<u>7</u>	<u>4</u>

Employees' emoluments:

During the year, the five highest paid individuals included four directors (2000: one director), details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	1,000	2,033
Retirement benefits scheme contributions	12	–
	<u>1,012</u>	<u>2,033</u>

The emoluments of the remaining highest paid individuals are within the following bands:

	Number of employees	
	2001	2000
Up to HK\$1,000,000	–	4
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>1</u>	<u>4</u>

10. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank overdraft and short-term bank borrowings wholly repayable within five years	4,545	588
Other borrowings	994	–
Total borrowing costs	5,539	588
Bank charges	1,939	–
	7,478	588

11. TAXATION

	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	22,710	14,883
Underprovision in prior year	297	–
Taxation attributable to the Company and its subsidiaries	23,007	14,883

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

No provision for PRC income tax has been made in respect of the Company's PRC subsidiary as the PRC subsidiary incurred losses during the year.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

Notes to the Financial Statements

For the year ended 31 December 2001

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year. An interim dividend of HK\$60,000,000 was declared and paid to its then shareholder by a subsidiary, Artel Industries Limited (formerly known as Arcon Industries Limited) before the Group Reorganisation.

A final dividend of HK\$0.02 (2000: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the earnings per share for the year is based on the net profit for the year of HK\$117,280,000 (2000: HK\$80,948,000) and on the weighted average of 1,342,246,575 (2000: 1,280,000,000) shares that would have been in issue throughout the year on the assumption that the Group Reorganisation has been completed on 1 January 2000.

14. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
COST			
At 1 January 2001	994	–	994
Additions	789	1,871	2,660
Disposals	–	(335)	(335)
At 31 December 2001	<u>1,783</u>	<u>1,536</u>	<u>3,319</u>
DEPRECIATION			
At 1 January 2001	205	–	205
Provided for the year	452	307	759
At 31 December 2001	<u>657</u>	<u>307</u>	<u>964</u>
NET BOOK VALUE			
At 31 December 2001	<u>1,126</u>	<u>1,229</u>	<u>2,355</u>
At 31 December 2000	<u>789</u>	<u>–</u>	<u>789</u>

The Company did not have any plant and equipment during the period and at the balance sheet date.

15. INVESTMENT IN A SUBSIDIARY

THE COMPANY

2001

HK\$'000

Unlisted shares	<u>112,569</u>
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The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries at the time they became members of the Group under the Group Reorganisation.

Particulars of the Company's subsidiaries at 31 December 2001 are set out in note 30.

16. INVENTORIES

THE GROUP

2001

2000

HK\$'000

HK\$'000

Finished goods	<u>252,584</u>	<u>131,261</u>
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All inventories are carried at cost at the balance sheet date.

Notes to the Financial Statements

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17. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

The credit terms of the Group range from 30 to 365 days. The aged analysis of trade receivables at the reporting date is as follows:

	2001	2000
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	30,403	87,028
31 to 60 days	81,983	28,537
61 to 90 days	6,121	15,873
91 to 180 days	54,953	84,157
181 to 365 days	17,236	7,244
Over 365 days	623	8,881
Total trade receivables	191,319	231,720
Prepayments and deposits	17,672	1,609
	208,991	233,329

18. AMOUNT DUE FROM A DIRECTOR

Details of the amount due from a director are as follows:

Name of director/terms of loan	Balance at 31.12.2001 HK\$'000	Balance at 31.12.2000 HK\$'000	Maximum amount outstanding during the year HK\$'000
Yu Pen Hung			
Unsecured, non-interest bearing and with no fixed term of repayment	—	6,909	6,909

19. TRADE PAYABLES AND ACCRUED EXPENSES

The aged analysis of trade payables at the reporting date is as follows:

	2001 HK\$'000	2000 HK\$'000
Aged:		
0 to 30 days	102,488	183,080
31 to 60 days	50,046	106,327
61 to 90 days	72	3,457
91 to 120 days	7,755	–
Total trade payables	<u>160,361</u>	<u>292,864</u>
Accrued expenses	<u>3,773</u>	<u>2,674</u>
	<u>164,134</u>	<u>295,538</u>

20. BANK OVERDRAFT AND SHORT-TERM BANK BORROWINGS

	2001 HK\$'000	2000 HK\$'000
Bank overdraft, unsecured	94	–
Short-term bank borrowings, secured	<u>90,792</u>	<u>–</u>
	<u>90,886</u>	<u>–</u>

21. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each on incorporation	<u>1,000,000</u>	<u>100</u>
Subdivision (note a below)	10,000,000	100
Increase of share capital (note b below)	<u>9,990,000,000</u>	<u>99,900</u>
Balance as at 31 December 2001	<u>10,000,000,000</u>	<u>100,000</u>

Notes to the Financial Statements

For the year ended 31 December 2001

21. SHARE CAPITAL - continued

Note: Pursuant to the sole shareholder's resolutions of the Company, the Company's share capital was changed as follows:

- (a) Pursuant to the resolution passed on 21 May 2001, each of the authorised, existing issued and unissued share of HK\$0.10 of the Company was sub-divided into 10 shares of HK\$0.01 each.
- (b) Pursuant to the resolution passed on 29 August 2001, the authorised share capital of the Company was then increased from HK\$100,000 to HK\$100,000,000 by the creation of 9,990,000,000 additional shares of HK\$0.01 each.

	No. of shares	HK\$'000
Issued:		
Shares of HK\$0.10 each		
Issue on incorporation full paid (note a below)	1	–
Issue of shares on 29 December 2000 nil paid (note b below)	999,999	–
	<hr/>	<hr/>
Balance as at 31 December 2000 and 1 January 2001	1,000,000	–
Issued and fully paid:		
Shares of HK\$0.01 each		
Subdivision (note a under authorised share capital)	10,000,000	–
Issue of shares and credited as fully paid of nil paid shares in issue in accordance with the Group		
Reorganisation (note c below)	10,000,000	200
Placing of new shares on 22 October 2001 (note d below)	320,000,000	3,200
Capitalisation issue of shares	1,260,000,000	12,600
	<hr/>	<hr/>
Balance as at 31 December 2001	1,600,000,000	16,000

Notes:

- (a) The Company was incorporated on 5 December 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each, one of which was allotted and issued, fully paid to the subscriber of the Company on the same date.
- (b) On 29 December 2000, the Company issued and allotted 999,999 new nil paid shares to the shareholder of the Company.

21. SHARE CAPITAL - continued

- (c) On 29 August 2001, the Company (i) issued, credited as fully paid, 10,000,000 new shares of HK\$0.01 each and (ii) credited as fully paid at par the 9,999,990 nil paid shares of HK\$0.01 in exchange for shares in a subsidiary, Artel International Holdings Limited, pursuant to the Group Reorganisation, details of which were set out in the paragraph headed "Group reorganisation" in Appendix V of the Prospectus.
- (d) On 22 October 2001, the Company issued a total of 320,000,000 new shares of HK\$0.01 each, at an offer price of HK\$0.6 per share. The total gross proceeds from the new issue of shares were HK\$192,000,000.

As the Company was incorporated on 5 December 2000 with 1 share of HK\$0.10 each fully paid and 999,999 shares nil paid in issue as at 31 December 2000, and the Company has not commenced business before the Group Reorganisation, the share capital shown on the consolidated balance sheet as at 31 December 2000 represented the aggregate share capital of the companies comprising the Group before the Group Reorganisation.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

The Company intends to use the net proceeds from the new issue of shares as follows:

- (a) approximately HK\$50,000,000 for the expansion of distribution and logistics network in the PRC, the development of corporate image and brand building;
- (b) approximately HK\$30,000,000 for the collaboration with hardware and software developers and universities in Hong Kong and the PRC in setting up research and development alliances, training centres and the facilities for the provision of technical support and after-sales services;
- (c) approximately HK\$20,000,000 for the enhancement of its capability in providing and integrating e-enabling solutions, the capability of software development and quality of related consulting services;
- (d) approximately HK\$10,000,000 for the development of distribution networks and setting up branches in other developing countries in Asia such as Thailand, Vietnam, India and the Philippines;
- (e) approximately HK\$10,000,000 for the development cost of a WEB-based supply chain management platform; and
- (f) the balance of approximately HK\$59,100,000 as general working capital of the Group.

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For the year ended 31 December 2001

22. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Con- tributed surplus HK\$'000	Accumu- lated profits HK\$'000	Total HK\$'000
THE GROUP					
At 1 January 2000	–	–	–	33,193	33,193
Net profit for the year	–	–	–	80,948	80,948
At 31 December 2000 and 1 January 2001	–	–	–	114,141	114,141
Pursuant to Group Reorganisation	–	9,370	–	–	9,370
Premium arising on issue of shares by way of placing	188,800	–	–	–	188,800
Capitalisation issue of shares	(12,600)	–	–	–	(12,600)
Expenses incurred in connection with the issue of shares	(10,643)	–	–	–	(10,643)
Net profit for the year	–	–	–	117,280	117,280
Dividend	–	–	–	(60,000)	(60,000)
At 31 December 2001	<u>165,557</u>	<u>9,370</u>	<u>–</u>	<u>171,421</u>	<u>346,348</u>
THE COMPANY					
Pursuant to Group Reorganisation	–	–	112,369	–	112,369
Premium arising on issue of shares by way of placing	188,800	–	–	–	188,800
Capitalisation issue of shares	(12,600)	–	–	–	(12,600)
Expenses incurred in connection with the issue of shares	(10,643)	–	–	–	(10,643)
Net profit for the period	–	–	–	60	60
Dividend	–	–	–	–	–
At 31 December 2001	<u>165,557</u>	<u>–</u>	<u>112,369</u>	<u>60</u>	<u>277,986</u>

The contributed surplus of the Company represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation on 29 August 2001.

22. RESERVES - continued

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the Group Reorganisation.

The Company's reserves available for distribution to shareholders as at 31 December 2001 represent the aggregate of share premium, contributed surplus, accumulated profits of HK\$277,986,000.

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	140,287	95,831
Interest expense	5,539	588
Interest income	(3,767)	(3,010)
Depreciation	759	151
Loss on disposal of plant and equipment	67	49
Increase in inventories	(121,323)	(75,425)
Decrease (increase) in trade receivables, prepayments and deposits	24,338	(133,545)
(Decrease) increase in trade payables and accrued expenses	(131,404)	127,044
Change in amount due (from) to a related company	(19)	407
Net cash (outflow) inflow from operating activities	<u>(85,523)</u>	<u>12,090</u>

Notes to the Financial Statements

For the year ended 31 December 2001

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Share capital of subsidiaries comprising the Group	Share premium	Special reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000, 31 December 2000 and 1 January 2001	–	9,570	–	–
Shares swap in accordance with the Group Reorganisation	200	(9,570)	–	9,370
Issue of shares for cash	3,200	–	–	–
Premium arising on issue of shares	–	–	188,800	–
Shares issue expenses	–	–	(10,643)	–
Capitalisation issue of shares	12,600	–	(12,600)	–
At 31 December 2001	<u>16,000</u>	<u>–</u>	<u>165,557</u>	<u>9,370</u>

25. MAJOR NON-CASH TRANSACTIONS

On 29 August 2001, the Company issued 10,000,000 new shares in aggregate of HK\$0.01 each as part of the consideration for the exchange of investment in a subsidiary held by a director for the purpose of listing of its shares on the Stock Exchange.

26. PLEDGE OF ASSETS

In accordance with the terms of the distribution agreement entered into between the Group and a major supplier, the Group has granted the major supplier a security interest in the inventories supplied and in any proceeds (including accounts receivable) as security for any outstanding amount due by the Group. The aggregate amount of relevant assets pledged at the respective balance sheet dates is as follows:

	2001 HK\$'000	2000 HK\$'000
Assets pledged	<u>152,443</u>	<u>292,864</u>

26. PLEDGE OF ASSETS - continued

In addition, the Group's bank deposits at the balance sheet date pledged to bankers to secure certain banking facilities were as follows:

	2001	2000
	HK\$'000	HK\$'000
Bank deposits pledged	59,803	20,385

27. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities at the balance sheet date.

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payment in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Within one year	1,378	1,256
In the second to fifth year inclusive	870	1,982
	2,248	3,238

The Company had no operating lease commitment at the balance sheet date.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong since December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in other jurisdictions are members of state-managed retirement benefits schemes operated by the government of the jurisdictions. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

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29. RETIREMENT BENEFITS SCHEMES - continued

The total cost charged to the income statement of HK\$241,000 (2000: Nil) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2001, contributions of HK\$12,000 (2000: Nil) due in respect of the current reporting period had not been paid over the schemes.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned at 31 December 2001 are as follows:

Name of subsidiary	Place/ Country of incorporation/ operation	Issue and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
ASEP Solutions Limited (Formerly known as Top Technologies Limited)	Hong Kong/ Hong Kong	HK\$2	-	100%	Provision of e-enabling solutions and technical services
Advance Great Limited	Hong Kong/ Hong Kong	HK\$10,000	-	100%	Trading of computer components
亞邦電腦國際貿易(上海) 有限公司	PRC/ PRC	US\$200,000	-	100%	Trading of computer components and networking products and provision of technical support and after-sales services
Artel Computer Solutions Limited (Formerly known as Arcon Computer Solutions Limited and Arcon International Limited)	British Virgin Islands/ British Virgin Islands	US\$200,000	-	100%	Investment holding
Artel e-Solutions Limited (Formerly known as Arcon e-Solutions Limited and Helping Hand Technology Limited)	British Virgin Islands/ British Virgin Islands	US\$110	-	100%	Investment holding

30. PARTICULARS OF SUBSIDIARIES - continued

Name of subsidiary	Place/ Country of incorporation/ operation	Issue and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Artel International Holdings Limited (Formerly known as Arcon Holdings Limited and Covelands Trading Ltd.)	British Virgin Islands/ British Virgin Islands	US\$5	100%	–	Investment holding
Artel Industries Limited (Formerly known as Arcon Industries Limited)	Hong Kong/ Hong Kong	Ordinary- HK\$2 Deferred- HK\$8,000,000*	–	100%	Trading of computer components and networking equipment and provision of integrated e-enabling solutions
Ariel International Technology Co., Limited (Formerly known as A-Gate International Limited)	Hong Kong/ Hong Kong	HK\$10	–	100%	Trading of networking equipment
Best Hero Limited	Hong Kong/ Hong Kong	HK\$10,000	–	100%	Inactive
Davidson Overseas Assets Limited	British Virgin Islands/ British Virgin Islands	US\$1	–	100%	Inactive

* The deferred shares are not held by the Group and practically carry no right to dividend or to receive notice of or to attend or vote at any annual general meeting to the subsidiary or to participate in any distribution on winding up.

31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with directors/major shareholders:

- (a) The Company issued 10,000,000 shares of HK\$0.01 each to a director, Mr. Yu Pen Hung for the exchange of 100% equity interest in a subsidiary, Artel International Holdings Limited originally held by Mr. Yu Pen Hung for the purpose of the listing of the Company's shares on the Stock Exchange pursuant to the Group Reorganisation.
- (b) The Group granted interest free advance to a director, Mr. Yu Pen Hung during the year ended 31 December 2000. The amount had been fully settled during the year ended 31 December 2001. Details of the amount due from the director was disclosed under note 18 to the financial statements.

32. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is E-Career Investments Limited, a limited company incorporated in the British Virgin Islands.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 20 to 46 were approved and authorised for issue by the Board of Directors on 24 April 2002.