

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. GENERAL

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.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 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 NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statement
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity. These changes have not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Under SSAP 15 (Revised) "Cash flow statement", the amounts presented for cash and cash equivalents have been amended to exclude short-term bank borrowings that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

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:

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For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 passed.

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

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

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 leases.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and 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 sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing 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 prevailing 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.

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.

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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 for the year analysed by principal activity is as follows:

	2002	2001
	HK\$'000	HK\$'000
Distribution of computer components and information technology products	2,043,011	1,356,234
Provision of integrated e-enabling solutions	79,179	58,770
	2,122,190	1,415,004

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 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is set out as follows:

For the year ended 31 December 2002:

	Distribution of computer components and information technology products	Provision of integrated e-enabling solutions	Consolidated
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	2,043,011	79,179	2,122,190
RESULT			
Segment results	71,572	12,150	83,722
Other operating income			4,963
Unallocated corporate expenses			(2,411)
Profit from operations			86,274
Finance costs			(10,403)
Profit before taxation			75,871
Taxation			(9,868)
Profit attributable to shareholders			66,003
At 31 December 2002:			
<u>Assets</u>			
Segment assets	868,005	64,710	932,715
Unallocated corporate assets			254,953
Consolidated total assets			1,187,668
<u>Liabilities</u>			
Segment liabilities	341,688	29,438	371,126
Unallocated corporate liabilities			431,391
Consolidated total liabilities			802,517
OTHER INFORMATION			
Capital additions	1,153	8	1,161
Depreciation	761	9	770

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 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 results	130,983	11,689	142,672
Other operating income			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
At 31 December 2001:			
<u>Assets</u>			
Segment assets	354,903	102,137	457,040
Unallocated corporate assets			174,193
Consolidated total assets			631,233
<u>Liabilities</u>			
Segment liabilities	142,963	21,171	164,134
Unallocated corporate liabilities			104,751
Consolidated total liabilities			268,885
OTHER INFORMATION			
Capital additions	2,621	39	2,660
Depreciation	751	8	759

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For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are substantially located in Hong Kong and the People's Republic of China (the "PRC") throughout the year. An analysis of the Group's sales by geographical market is set out as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover by geographical market:		
PRC	610,040	278,311
Hong Kong	1,512,150	1,136,693
	2,122,190	1,415,004
Contribution to gross profit by geographical market:		
PRC	46,746	56,245
Hong Kong	73,436	113,297
	120,182	169,542
Carrying amount of segment assets analysed by geographical market:		
PRC	387,424	206,501
Hong Kong	800,244	424,732
	1,187,668	631,233
Additions to plant and equipment analysed by geographical market:		
PRC	41	–
Hong Kong	1,120	2,660
	1,161	2,660

6. COST OF SALES

	2002 HK\$'000	2001 HK\$'000
Cost of sales comprises:		
Cost of goods sold	2,067,705	1,319,137
Rebates	(65,697)	(73,675)
	2,002,008	1,245,462

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7. OTHER OPERATING INCOME

	2002	2001
	HK\$'000	HK\$'000
Interest on bank deposits	2,600	3,767
Sundry income	2,360	1,390
Gain on disposal of plant and equipment	3	–
	4,963	5,157

8. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2002	2001
	HK\$'000	HK\$'000
Auditors' remuneration	730	650
Depreciation of plant and equipment	770	759
Loss on disposal of plant and equipment	–	67
Operating lease rentals in respect of rented premises	3,039	1,393
Staff costs:		
Directors' remuneration		
– fees	480	160
– other emoluments	8,360	5,698
– retirement benefits scheme contributions	36	21
	8,876	5,879
Staff costs excluding directors' remuneration	14,702	11,811
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	193	220
	14,895	12,031
Total staff costs	23,771	17,910

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments:

	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	480	160
	480	160
Other emoluments (executive directors):		
Salaries and other benefits (note)	4,944	5,108
Bonus	3,416	590
Retirement benefits scheme contributions	36	21
	8,396	5,719
Total emoluments	8,876	5,879

Note: The directors' salaries and other benefits include the operating lease rentals amounting to HK\$579,000 (2001: HK\$84,000) in respect of rented premises provided to a director. The amounts are also included in the operating lease rentals in respect of rented premises under note 8 above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of directors are within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	3	6
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
	6	7

Employees' emoluments:

During the year, the five highest paid individuals included three directors (2001: four directors), details of whose emoluments are set out above. The emoluments of the remaining two (2001: one) highest paid individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,426	1,000
Retirement benefits scheme contributions	15	12
	1,441	1,012

The emoluments of the remaining two (2001: one) highest paid individuals are within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	–	1
	2	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

10. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank overdrafts and short-term bank borrowings wholly repayable within five years	7,237	4,545
Other borrowings	–	994
	7,237	5,539
Total borrowing costs	7,237	5,539
Bank charges	3,166	1,939
	10,403	7,478

11. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong profits tax:		
Current year	11,540	22,710
(Over) underprovision in previous years	(1,672)	297
	9,868	23,007
Taxation attributable to the Company and its subsidiaries	9,868	23,007

Hong Kong profits tax is calculated at 16% (2001:16%) of the estimated assessable profit for the year.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for 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 2002

12. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Interim dividend paid at HK\$0.007 per share (2001: note b below)	11,200	60,000
Final dividend proposed at HK\$0.006 per share (2001: HK\$0.02)	9,600	32,000
	20,800	92,000

Notes:

- (a) The final dividend at HK\$0.006 (2001: HK\$0.02) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.
- (b) An interim dividend of HK\$60,000,000 was declared and paid to its then shareholder by a subsidiary, Artel Industries Limited before the Group Reorganisation in 2001.

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\$66,003,000 (2001: HK\$117,280,000) and on the 1,600,000,000 (2001: weighted average of 1,342,246,575) shares that would have been in issue throughout the year on the assumption that the Group Reorganisation has been completed on 1 January 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

14. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
COST			
At 1 January 2002	1,783	1,536	3,319
Additions	963	198	1,161
Disposals	(31)	–	(31)
	<u>2,715</u>	<u>1,734</u>	<u>4,449</u>
At 31 December 2002	2,715	1,734	4,449
DEPRECIATION			
At 1 January 2002	657	307	964
Provided for the year	430	340	770
Eliminated on disposals	(3)	–	(3)
	<u>1,084</u>	<u>647</u>	<u>1,731</u>
At 31 December 2002	1,084	647	1,731
NET BOOK VALUES			
At 31 December 2002	<u>1,631</u>	<u>1,087</u>	<u>2,718</u>
At 31 December 2001	<u>1,126</u>	<u>1,229</u>	<u>2,355</u>

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

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15. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares	112,569	112,569

The carrying value of the unlisted shares is based on the fair 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 2002 are set out in note 27.

16. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Finished goods	632,178	252,584

All inventories are carried at cost at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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:

	2002	2001
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	61,373	30,403
31 to 60 days	90,301	81,983
61 to 90 days	117,300	6,121
91 to 180 days	20,100	54,953
181 to 365 days	–	17,236
Over 365 days	–	623
Total trade receivables	289,074	191,319
Prepayments and deposits	16,647	17,672
	305,721	208,991

18. TRADE PAYABLES AND ACCRUED EXPENSES

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

	2002	2001
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	360,883	102,488
31 to 60 days	4,871	50,046
61 to 90 days	3,172	72
91 to 120 days	15	7,755
Total trade payables	368,941	160,361
Accrued expenses	8,714	3,773
	377,655	164,134

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19. BANK OVERDRAFTS AND SHORT-TERM BANK BORROWINGS

	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, unsecured	232	94
Short-term bank borrowings, secured	424,630	90,792
	424,862	90,886

20. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each as at 1 January 2001	1,000,000	100
Subdivision into 10 shares of HK\$0.01 each	9,000,000	–
Increase of share capital on 29 August 2001	9,990,000,000	99,900
	10,000,000,000	100,000
Issued:		
Shares of HK\$0.10 each as at 1 January 2001	1,000,000	–
Subdivision into 10 shares of HK\$0.01 each on 21 May 2001	9,000,000	–
Issue of shares and credited as fully paid of nil paid shares in issue in accordance with the Group Reorganisation	10,000,000	200
Placing of new shares on 22 October 2001	320,000,000	3,200
Capitalisation issue of shares	1,260,000,000	12,600
	1,600,000,000	16,000

There were no changes in the Company's authorised, issued and fully paid share capital during the year ended 31 December 2002.

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21. SHARE OPTION SCHEME

The Company's share option scheme (the "Option 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 Option 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 Option 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 Option Schemes, 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.

As the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to the share option schemes were amended on 1 September 2001, share option can be granted under the Option Scheme provided that the existing Listing Rules on share option schemes are complied with.

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

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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 2001	–	–	–	114,141	114,141
Pursuant to the 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
Interim dividend paid	–	–	–	(60,000)	(60,000)
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At 31 December 2001 and 1 January 2002	165,557	9,370	–	171,421	346,348
2001 final dividend paid	(32,000)	–	–	–	(32,000)
2002 interim dividend paid	(11,200)	–	–	–	(11,200)
Net profit for the year	–	–	–	66,003	66,003
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	122,357	9,370	–	237,424	369,151
THE COMPANY					
Pursuant to the 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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001 and 1 January 2002	165,557	–	112,369	60	277,986
2001 final dividend paid	(32,000)	–	–	–	(32,000)
2002 interim dividend paid	(11,200)	–	–	–	(11,200)
Net profit for the year	–	–	–	7	7
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At 31 December 2002	122,357	–	112,369	67	234,793

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22. RESERVES (continued)

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.

The special reserve of the Group 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 2002 represent the aggregate of share premium, contributed surplus, accumulated profits of HK\$234,793,000 (2001: HK\$277,986,000).

23. PLEDGE OF ASSETS

In accordance with the terms of the distribution agreements 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 was as follows:

	2002	2001
	HK\$'000	HK\$'000
Assets pledged	357,264	152,443

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

	2002	2001
	HK\$'000	HK\$'000
Bank deposits pledged	120,060	59,803

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24. CONTINGENT LIABILITIES

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

The Company had executed guarantees for unlimited amounts (2001: Nil) in favour of its bankers in respect of banking facilities granted to its subsidiaries. The total amounts utilised by the subsidiaries as at 31 December 2002 were approximately HK\$42,463,000 (2001: Nil).

25. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	2,250	1,378
In the second to fifth year inclusive	361	870
	2,611	2,248

Operating lease payments represent rentals payable by the Group for certain of its office premises and employees' quarters. Leases are negotiated for an average of 2 years.

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

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26. 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.

The total cost charged to the income statement of HK\$229,000 (2001: HK\$241,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2002, contributions of HK\$22,000 (2001: HK\$12,000) due in respect of the current reporting year had not been paid to the schemes.

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27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Advance Great Limited	Hong Kong	HK\$10,000	–	100%	Trading of computer components
Ariel International Technology Co., Limited	Hong Kong	HK\$10	–	100%	Trading of networking equipment
亞邦電腦國際貿易(上海)有限公司**	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	British Virgin Islands	US\$200,000	–	100%	Investment holding
Artel e-Solutions Limited	British Virgin Islands	US\$110	–	100%	Investment holding
Artel International Holdings Limited	British Virgin Islands	US\$5	100%	–	Investment holding

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27. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Artel Industries Limited	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
Artel International Investments Limited (Formerly known as Choice Concord Agents Limited)	British Virgin Islands	US\$1	-	100%	Inactive
Artel Macao Commercial Offshore Limited	Macau	MOP1,000,000	-	100%	Trading of computer components and networking equipment and provision of integrated e-enabling solutions
ASEP Solutions Limited	Hong Kong	HK\$2	-	100%	Provision of e-enabling solutions and technical services
Best Hero Limited	Hong Kong	HK\$10,000	-	100%	Trading of computer components
Cyber King Group Limited	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.

** This subsidiary is a foreign wholly owned enterprise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

28. ULTIMATE HOLDING COMPANY

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

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 19 to 48 were approved and authorised for issue by the Board of Directors on 17 April 2003.