NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. GENERAL

The Company is 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 Company's parent and ultimate holding company is E-Career Investments Limited, a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 October 2001.

The financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$153 million and net liabilities of approximately HK$143 million as at 31 December 2005.

The Group is dependent upon the continued support of its bankers and creditors. As explained in note 28, the Group has defaulted in respect of the repayment of certain bank borrowings totalling approximately HK$205 million at the balance sheet date and such amounts have become repayable on demand. The remaining bank borrowings have also become repayable on demand due to the default in the aforesaid bank borrowings. Moreover, certain of these bankers and one of the major suppliers have taken legal action to recover overdue balances.

Against this background of the Group's current financial difficulties, since October 2005 the Group's ability to make purchases from its major supplier has been substantially impaired. Accordingly, the level of the Group's trading activities has also been substantially reduced.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

In order to improve the Group's working capital position the Group is implementing the following measures:

(a) Negotiating with the customers for the recovery of accounts receivables and shorten the credit terms;

(b) Negotiating with suppliers for the re-purchase of unsold inventory;

(c) Continuing to implement measures to tighten cost control measures over various general and administrative expenses and to attain other profitable and positive cash flow operations; and

(d) Negotiating with its bankers for the rescheduling or extension of the existing bank borrowings.

However, restoring the liquidity and financial position of the Group is dependent upon the introduction of new equity capital and the Group is currently in discussion with a potential new investor. Provided that new equity capital can be injected into the Group, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity.The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES (continued)

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" and the principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill arising on acquisition of associates

In previous years, goodwill arising on acquisition of associates was included in interests in associates and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously included in interests in associates, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK$353,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment as part of investment in associates. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated. The application of HKFRS 3 has had no significant impact to the Group's financial statements.

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company determined at the date of grant of the share options on the vesting date. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. Because there were no unvested share options at 1 January 2005, the application of HKFRS 2 has had no impact to the results of the Group in the current or prior years.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no impact on the presentation of financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES (continued)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit and loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets" as appropriate. Financial liabilities are classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". The application of HKAS 39 has had no material effect on the recognition and measurement of financial assets and financial liabilities of the Group except for derivative financial instruments as set out below.

Derivatives and hedging

By 31 December 2004, the Group's derivative financial instruments, mainly comprised interest rate swaps were used to manage the Group's exposure to interest rate fluctuations. The derivatives were previously recorded off balance sheet except for the net interest settlement of the interest rate swaps, which were previously accounted for on an accrual basis.

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date. Under HKAS 39, derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The gain or loss on changes in fair value is recognised in the income statement unless the derivative financial instruments qualified for hedge accounting. The interest rate swaps are deemed as held for trading, change in fair values of such derivatives are recognised in the income statement for the period in which they arise.

As the difference between the previous carrying amount recognised on the balance sheet and fair value on 1 January 2005 is immaterial, therefore no adjustment is made to the Group's accumulated profits as at 1 January 2005.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES (continued)

Derivatives and hedging (continued)

The HKICPA has issued the following standards, amendments and interpretations ("INT") that are not yet effective. The Group has considered the following standards, amendments and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policy below:

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

Interest in a jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are refer to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, if any and in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a jointly controlled entity (continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

For an acquisition prior to 1 January 2005, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associates recognised at the date of acquisition is recognised as goodwill. As explained in note 3, accumulated amortisation of goodwill has been eliminated against cost of goodwill on 1 January 2005. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on the acquisition of associates is included within the carrying amount of the associates.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowings costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period when they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Trade receivables and rebates receivables/amount due from an associate/pledged bank deposits

Trade receivables and rebates receivables, amount due from an associate and pledged bank deposits are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand and are carried at cost or amortised cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank overdrafts and bank borrowings

Interest-bearing bank overdrafts and bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade payables/amount due to a director

Trade payables and amount due to a director are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are measured to their value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entity, except where the Group as the parent or a venturer is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

The retirement benefits costs charged to 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 for its employees.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for trade receivables/rebates receivables

The management regularly reviews the recoverability and aging of the trade receivables/rebates receivables. Allowance for trade receivables/rebates receivables is made based on the evaluation of collectability and aging analysis of accounts and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value.

A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Write-down of inventories

The management of the Group reviews an aged analysis at each balance sheet date, and writes down the value of obsolete and slow-moving inventory items identified that are no longer suitable for trade. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank borrowings, trade receivables, rebates receivables, trade payables and bank deposits. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade receivables and bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical locations is mainly in the People's Republic of China (the "PRC").

The credit risk on bank balances is minimal because the counterparties are banks with high credit-ratings.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with bank which are all short term in nature.

Interest bearing financial liabilities is mainly bank loans with fixed interest rates and is therefore expose the Group to fair value interest risk. The Group does not have a formal interest rate hedging policy. However, the management monitors interest rate exposure and hedge significant interest rate exposure through the use of interest rate swaps.

Liquidity risk

In light of the Group's net current liabilities and net liabilities as at 31 December 2005, the management is implementing several measures in order to improve the Group's working capital position, profitability and net financial position. Details of these measures are disclosed in note 2 to the financial statements.

7. TURNOVER

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

8. 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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is set out as follows:

For the year ended 31 December 2005:

	Distribution of computer components and information technology products HK$'000	Provision of integrated e-enabling solutions HK$'000	Consolidated HK$'000
TURNOVER			
External sales	1,165,871	32,358	1,198,229
RESULT			
Segment result	(552,683)	(11,917)	(564,600)
Other operating income			5,536
Unallocated corporate expenses			(4,223)
Impairment loss recognised in respect of goodwill of associates			(13,768)
Finance costs			(18,568)
Share of results of associates			(93)
Loss before taxation			(595,716)
Taxation			(734)
Loss for the year			(596,450)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31 December 2005:

	Distribution of computer components and information technology products HK$'000	Provision of integrated e-enabling solutions HK$'000	Consolidated HK$'000
Assets			
Segment assets	164,626	2,459	167,085
Unallocated corporate assets			59,206
Consolidated total assets			226,291
Liabilities			
Segment liabilities	131,833	–	131,833
Unallocated corporate liabilities			239,055
Consolidated total liabilities			370,888
OTHER INFORMATION			
Allowance for doubtful debts	390,864	11,108	401,972
Allowance for rebates receivables	86,395	6,310	92,705
Impairment loss recognised in respect of goodwill of associates	–	–	13,768
Write-down for inventories	66,283	–	66,283
Capital additions	207	–	207
Depreciation	2,962	10	2,972

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

For the year ended 31 December 2004:

	Distribution of computer components and information technology products HK$'000	Provision of integrated e-enabling solutions HK$'000	Consolidated HK$'000
TURNOVER			
External sales	1,557,798	101,032	1,658,830
RESULT			
Segment result	32,866	14,812	47,678
Other operating income			6,518
Unallocated corporate expenses			(4,974)
Finance costs			(15,421)
Share of results of associates			6
Profit before taxation			33,807
Taxation			(585)
Profit for the year			33,222

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31 December 2004:

	Distribution of computer components and information technology products HK$'000	Provision of integrated e-enabling solutions HK$'000	Consolidated HK$'000
Assets			
Segment assets	934,130	7,737	941,867
Unallocated corporate assets			146,453
Consolidated total assets			1,088,320
Liabilities			
Segment liabilities	206,071	2,746	208,817
Unallocated corporate liabilities			427,650
Consolidated total liabilities			636,467
OTHER INFORMATION			
Allowance for doubtful debts	3	1,509	1,512
Write-down of inventories	830	1,661	2,491
Capital additions	10,800	–	10,800
Depreciation	1,982	19	2,001

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

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

	2005 HK$'000	2004 HK$'000
Turnover by geographical market:		
PRC	**972,284**	1,023,654
Hong Kong	**225,945**	635,176
	1,198,229	1,658,830
Carrying amount of segment assets analysed by location of assets:		
PRC	**116,769**	669,202
Hong Kong	**109,522**	419,118
	226,291	1,088,320
Additions to plant and equipment analysed by location of assets:		
PRC	**–**	–
Hong Kong	**207**	10,800
	207	10,800

9. COST OF SALES

	2005 HK$'000	2004 HK$'000
Cost of sales comprises:		
Cost of goods sold	**1,173,997**	1,654,036
Rebates	**(3,240)**	(80,699)
	1,170,757	1,573,337

10. OTHER OPERATING INCOME

	2005 HK$'000	2004 HK$'000
Discounts received on early repayment of short-term bank borrowings	**3,378**	–
Interest income on bank deposits	**2,059**	787
Promotional services income	**13**	3,256
Change in fair value of derivative financial instruments	**–**	551
Sundry income	**86**	1,924
	5,536	6,518

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the eight (2004: seven) directors were as follows:

		Other emoluments		
	Fees	**Salaries and other benefits**	**Pension costs**	**Total emoluments**
	HK$'000	HK$'000	HK$'000	HK$'000
Yu Peng Hung *(note)*	–	972	12	984
Yu Chi Ming, Federick	–	83	1	84
Yen Chung Chuan	–	1,085	–	1,085
Chen Chih Ming	–	–	–	–
Lee Ran, Elizabeth	–	–	–	–
Hu Gin Ing	240	–	–	240
Liu James Juh	240	–	–	240
Yim Hing Wah	120	–	–	120
Total for 2005	600	2,140	13	2,753

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(i) Details of directors' remuneration are as follows: (continued)

		Other emoluments		
	Fees	**Salaries and other benefits**	**Pension costs**	**Total emoluments**
	HK$'000	HK$'000	HK$'000	HK$'000
Yu Peng Hung *(note)*	–	2,820	12	2,832
Yu Chi Ming, Federick	–	1,339	–	1,339
Yen Chung Chuan	–	608	–	608
Chen Lee Shu, Jennifer	–	150	1	151
Hu Gin Ing	240	–	–	240
Liu James Juh	240	–	–	240
Yim Hing Wah	31	–	–	31
Total for 2004	511	4,917	13	5,441

Note: The directors' salaries and other benefits include the operating lease rentals amounting to HK$373,333 (2004: HK$840,000) in respect of rented premises provided to a director. The amounts are included in the operating lease rentals in respect of rented premises under note 14 below.

In the year ended 31 December 2005, two directors waived the notional emoluments of HK$10. No directors waived any emoluments in the year ended 31 December 2004.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(ii) Employees' emoluments:

During the year, the five highest paid individuals included two directors (2004: three directors), details of whose emoluments are set out above. The emoluments of the remaining three (2004: two) highest paid individuals are as follows:

	2005 **HK$'000**	2004 HK$'000
Salaries and other benefits	**1,839**	1,807
Retirement benefit scheme contributions	**19**	20
	1,858	1,827

Remuneration of each of the employees for both years falls within the band of less than HK$1,000,000.

During the year, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. ALLOWANCE FOR REBATES RECEIVABLES

As explained in note 2, since October 2005 the Group's ability to make purchases from its major supplier has been substantially impaired. Accordingly, such rebates receivables have been fully impaired in the consolidated financial statements because it is unlikely that the rebates receivables can be utilised in the future.

13. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank overdrafts and short-term bank borrowings wholly repayable within five years	**18,476**	13,250
Bank charges	**92**	2,171
	18,568	15,421

14. (LOSS) PROFIT BEFORE TAXATION

	2005 HK$'000	2004 HK$'000
(Loss) profit before taxation has been arrived at after charging and (crediting):		
Amortisation of goodwill of associates	**–**	353
Auditors' remuneration	**1,050**	800
Depreciation of plant and equipment	**2,972**	2,001
Change in fair value of derivative financial instruments	**7,067**	–
Loss on disposal of plant and equipment	**29**	118
Operating lease rentals in respect of rented premises	**3,478**	5,115
Rental deposits written off	**104**	–
Staff costs:		
Directors' remuneration		
– fees	**600**	511
– other emoluments	**2,140**	4,917
– retirement benefits scheme contributions	**13**	13
	2,753	5,441
Staff costs excluding directors' remuneration	**9,411**	12,851
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**194**	181
	9,605	13,032
Total staff costs	**12,358**	18,473

15. TAXATION

	2005 HK$'000	2004 HK$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	–	–
Underprovision in previous years	–	19
Deferred tax *(Note 31)*	734	566
Taxation attributable to the Company and its subsidiaries	734	585

No provision for Hong Kong Profits Tax has been made in the financial statements in both years as the Group did not have any assessable profit.

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 both years.

15. TAXATION (continued)

The charge for the year can be reconciled to the (loss) profit per the consolidated income statement as follows:

	2005 **HK$'000**	2004 HK$'000
(Loss) profit before taxation	**(595,716)**	33,807
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	**(104,250)**	5,916
Tax effect of non-deductible expenses	**6,898**	78
Tax effect of exempted offshore profits	**–**	(6,507)
Tax effect of non-taxable income	**(70)**	(132)
Tax effect of utilisation of tax losses not previously recognised	**(536)**	(50)
Tax effect of tax losses not recognised	**542**	1,048
Tax effect of deductible temporary difference not recognised	**98,059**	–
Tax effect of deductible temporary difference not previously recognised	**–**	201
Underprovision in previous years	**–**	19
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2**	7
Others	**89**	5
Tax charge for the year	**734**	585

16. DIVIDEND

	2005 **HK$'000**	2004 HK$'000
Interim dividend	**–**	7,200

No dividend was paid or proposed during 2005, nor has any dividend been proposed since the balance sheet date.

17. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to equity shareholders of the Company for the year is based on the loss for the year of HK$596,450,000 (2004: profit for the year of HK$33,222,000) and on 1,600,000,000 (2004: 1,600,000,000) shares in issue.

The calculation of the diluted (loss) earnings per share is based on the loss for the year of HK$596,450,000 (2004: profit for the year of HK$33,222,000) and on the weighted average of 1,600,000,000 (2004: 1,600,048,792) shares.

The computation of diluted loss per share in 2005 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during the year.

The weighted average of 1,600,048,792 shares in issue and issuable for the computation of diluted earnings per share in 2004 assume the outstanding options are exercised on the date on which they are granted.

18. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1 January 2004	2,947	2,364	5,311
Additions	10,800	–	10,800
Disposals	(322)	–	(322)
At 1 January 2005	13,425	2,364	15,789
Additions	71	136	207
Disposals	–	(189)	(189)
At 31 December 2005	**13,496**	**2,311**	**15,807**
DEPRECIATION			
At 1 January 2004	1,567	1,072	2,639
Provided for the year	1,528	473	2,001
Eliminated on disposals	(204)	–	(204)
At 1 January 2005	2,891	1,545	4,436
Provided for the year	2,506	466	2,972
Eliminated on disposals	–	(120)	(120)
At 31 December 2005	**5,397**	**1,891**	**7,288**
CARRYING VALUES			
At 31 December 2005	**8,099**	**420**	**8,519**
At 31 December 2004	10,534	819	11,353

19. INTERESTS IN ASSOCIATES

	2005 **HK$'000**	2004 HK$'000
Cost of unlisted investment in associates	**879**	879
Share of post-acquisition profit, net of dividend received	**(87)**	6
	792	885
Goodwill of associates *(note)*	**–**	13,768
	792	14,653

Details of the Group's associates as at 31 December 2005 are as follows:

Name of associate	**Place of incorporation**	**Principal place of operation**	**Proportion of ownership interest and voting power held by the Group**	**Principal activities**
Jet Fidelity Holdings Company Limited	British Virgin Islands	Hong Kong	30%	Investment holding
Jet Fidelity Limited	Hong Kong	Hong Kong	30%	Provision of logistics and warehouse management services
Synergrator Logistics (HK) Limited	Hong Kong	Hong Kong	30%	Provision of logistics and warehouse management services

19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates is set out below:

	2005 **HK$'000**	2004 HK$'000
Total assets	**6,060**	5,350
Total liabilities	**(3,420)**	(2,400)
Net assets	**2,640**	2,950
Group's share of associates' net assets	**792**	885

	2005 **HK$'000**	2004 HK$'000
Revenue	**8,300**	4,446
(Loss) profit for the year	**(310)**	20
Group's share of associates' (loss) profit for the year	**(93)**	6

19. INTERESTS IN ASSOCIATES (continued)

Note:

Included in the interests in associates is goodwill of HK$nil (2004: HK$13,768,000) arising on acquisition of associates in prior years. The movement of goodwill is set as below:

	HK$'000
COST	
Arising on acquisition of associates and at 31 December 2004	14,121
Elimination of accumulated amortisation upon the application of HKFRS 3	(353)
At 31 December 2005	**13,768**
AMORTISATION AND IMPAIRMENT	
Charge for the year and at 31 December 2004	353
Elimination of accumulated amortisation upon the application of HKFRS 3	(353)
Impairment loss recognised	(13,768)
At 31 December 2005	(13,768)
CARRYING VALUES	
At 31 December 2005	**–**
At 31 December 2004	13,768

Due to the changes in current market condition and probable future volatility, the Group has taken the best estimate to revise its cash flow forecasts for the associates. The goodwill included in interests in associates has fully written off through recognition of an impairment loss of HK$13,768,000. The recoverable amount of the goodwill included in interests in associates are determined from value in use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management of the associates for the next three years and extrapolates cash flows based on an estimated growth rate of zero percent. The rate used in discounting the forecast cash flows from the associates is 5.2%.

Until 31 December 2004, goodwill had been amortised over its estimated useful life of 20 years.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2005, the Group had interest in the following jointly controlled entity:

Name of entity	Place of establishment and operation	Form of business structure	Registered and paid-up capital	Proportion of registered voting capital and power held by the Group	Principal activities
China Artel Golden Safe Digital Leasing Holdings Ltd. 中國宏通嘉信滙金數碼租賃控股有限公司	British Virgin Islands	Incorporated	US$50,000	50%	Not yet commenced business

21. INVENTORIES

	2005 **HK$'000**	2004 HK$'000
Finished goods	**54,868**	361,288

22. TRADE RECEIVABLES, REBATES RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2005 **HK$'000**	2004 HK$'000
Trade receivables	**499,830**	450,963
Less: Allowance for doubtful debts	**(403,484)**	(1,512)
	96,346	449,451
Rebates receivables *(note)*	**7,351**	119,775
Prepayments, deposits and other receivables	**5,873**	3,022
	109,570	572,248

Note: The rebates receivables include amount of HK$92,705,000 (2004: nil) relating to an allowance for rebates receivables.

22. TRADE RECEIVABLES, REBATES RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The credit terms of the Group range from 30 to 180 days. The aged analysis of trade receivables at the reporting date is as follows:

	2005	2004
	HK$'000	HK$'000
Aged:		
0 to 30 days	**9,360**	114,548
31 to 60 days	**1,139**	62,355
61 to 90 days	**7,202**	65,310
91 to 180 days	**78,645**	207,238
Total trade receivables	**96,346**	449,451

The directors consider the carrying amount of trade receivables and rebates receivables approximates their fair value.

23. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand. The directors consider the carrying amount of amount due from an associate approximates its fair value.

24. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carried fixed interest rate ranged from 4.09% to 4.13%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of pledged bank deposits at 31 December 2005 approximates to the corresponding carrying amount.

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing interest rates.The directors consider that the carrying amount of these assets approximate their fair value.

26. TRADE PAYABLES, SALES DEPOSITS AND ACCRUED CHARGES

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

	2005 **HK$'000**	2004 HK$'000
Aged:		
0 to 30 days	**4,646**	136,647
31 to 60 days	**–**	58,546
61 to 90 days	**–**	1,544
91 to 120 days	**127,187**	12,079
Total trade payables	**131,833**	208,816
Sales deposits	**2,848**	3,483
Accrued charges	**3,506**	5,315
	138,187	217,614

One of the major suppliers has taken legal action to recover the amounts due by the Group.

The directors consider the carrying amount of trade payables approximate its fair value.

27. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and repayable on demand. The directors consider the carrying amount of amount due to a director approximates its fair value.

28. BANK OVERDRAFTS AND BANK BORROWINGS

	2005	2004
	HK$'000	HK$'000
Bank overdrafts	**21,776**	268
Bank borrowings	**208,373**	418,019
	230,149	418,287
Less: Amount due within one year included under current liabilities	**(230,149)**	(387,487)
Amount due after one year, but not exceeding two years	**–**	30,800
Secured	**130,668**	350,622
Unsecured	**99,481**	67,665
	230,149	418,287

Bank overdrafts are arranged at prevailing market interest rates and repayable on demand.

Short-term bank borrowings are arranged at fixed interest rate ranged from 5% to 11% per annum.

The repayment term of certain bank borrowings amounting to HK$205,223,000 (2004: HK$nil) have matured before the year end date. Certain banks have taken legal action to recover the bank borrowings granted. The remaining bank borrowings also become repayable on demand at the balance sheet date.

28. BANK OVERDRAFTS AND BANK BORROWINGS (continued)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	US Dollars
	HK$'000
At 31 December 2005	183,338
At 31 December 2004	356,419

The directors consider the carrying amount of bank overdrafts and bank borrowings approximate its fair value.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives

	2005
	HK$'000
Interest rate swaps	**1,057**

Major terms of the interest rate swaps are as follows:

Notional amount	**Maturity**	**Swaps**
US$10,000,000	22 April 2008	From LIBOR plus 1.5% subject to cap to LIBOR
US$10,000,000	19 May 2008	From LIBOR plus 1.5% subject to cap to LIBOR

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on quotations provided by banks for equivalent instruments at the balance sheet date.

30. SHARE CAPITAL

	No. of shares	HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2004, 31 December 2004 and 31 December 2005	1,600,000,000	16,000

31. DEFERRED TAXATION

The following are the major deferred tax liability and asset recognised and movements thereon during the current and prior accounting years:

	Accelerated tax depreciation HK$'000	**Tax loss** HK$'000	**Total** HK$'000
At 1 January 2004	–	–	–
Charge (credit) to income statement for the year	1,474	(908)	566
At 1 January 2005	1,474	(908)	566
(Credit) charge to income statement for the year *(Note 15)*	(174)	908	734
	1,300	–	1,300

For purpose of the balance sheet presentation, the above deferred tax assets and liabilities were offset. A deferred tax asset has been recognised for the year ended 31 December 2004 in respect of tax losses of HK$5,191,000 (2005: nil).

31. DEFERRED TAXATION (continued)

At the balance sheet date, the Group had unused tax losses of approximately HK$16,132,000 (2004: HK$16,088,000) available for offset against future profits. Regarding the remote possibility for utilising the tax loss in the foreseeable future, a deferred tax asset has been reversed for the year ended 31 December 2005 in respect of HK$5,191,000 (2004: HK$ nil) of such losses. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams of relevant subsidiaries. The unrecognised tax losses may be carried forward indefinitely except the losses of HK$2,152,000 (2004: HK$2,099,000) which will expire as follows:

Year of expiry	**2005** **HK$'000**	2004 HK$'000
2006	**496**	496
2007	**707**	707
2008	**616**	616
2009	**279**	280
2010	**54**	–
	2,152	2,099

At the balance sheet date, the Group has deductible temporary differences of HK$560,337,000 (2004: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. 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 certain the inventories supplied and in any proceeds (including accounts receivables) 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:

	2005 **HK$'000**	2004 HK$'000
Assets pledged	**29,558**	77,748

32. 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:

	2005	2004
	HK$'000	HK$'000
Bank deposits pledged	**43,797**	67,493

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2004, the Group transferred an amount of HK$8,190,000 (2005: HK$nil) from deposits paid in respect of an accounting software to plant and equipment.

34. 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	
	2005	2004
	HK$'000	HK$'000
Within one year	**1,131**	1,706
In the second to fifth year inclusive	**487**	1,593
	1,618	3,299

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.

35. CAPITAL COMMITMENTS

The Group has entered a shareholders' agreement with an independent third party to establish a joint venture in which the Group will invest approximately HK$39,000,000 to develop distributing channel of internet protocol television in the PRC.

Apart from the above, the Group had no other material capital commitments at the balance sheet date.

36. 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, eligible employees and others 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.

36. SHARE OPTION SCHEME (continued)

On 30 May 2003, the shareholders of the Company resolved to make certain amendments to the Option Scheme. Under the amendments, the board of the directors of the Company may grant options to eligible participants in recognition of their contribution to the Group. Eligible participants are defined as any full-time or part-time employees of the Group (including any executive, non-executive and independent non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants and distributors of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or may contribute to the Group. The options granted may be exercised at any time during a period to be determined and notified by the board of directors of the Company but in any event shall not exceed the period of 10 years from a business date immediately after the date of acceptance.

The following table discloses details of the Company's share options held by a director and employees and movements in such holdings during the year:

	Outstanding at 1 January	Granted during the year	Reallocation during the year	Outstanding at 31 December
For the year ended **31 December 2005**				
Director *(Note a)*	2,080,000	–	(2,080,000)	–
Employees	57,590,000	–	2,080,000	59,670,000
Principal buyers *(Note c)*	43,680,000	–	–	43,680,000
Suppliers of services	10,745,000	–	–	10,745,000
	114,095,000	–	–	114,095,000
For the year ended 31 December 2004				
Director *(Note b)*	–	–	2,080,000	2,080,000
Employees	45,370,000	14,300,000	(2,080,000)	57,590,000
Principal buyers *(Note c)*	12,980,000	30,700,000	–	43,680,000
Suppliers of services	10,745,000	–	–	10,745,000
	69,095,000	45,000,000	–	114,095,000

36. SHARE OPTION SCHEME (continued)

Notes:

(a) Mr. Yen Chung Chuan resigned as an executive director of the Company on 7 December 2005. Subsequent to the resignation, Mr. Yen was an employee of one of the subsidiaries of the Company.

(b) Mr. Yen Chung Chuan was appointed as an executive director of the Company on 5 February 2004. Prior to the appointment, Mr. Yen was an employee of one of the subsidiaries of the Company.

(c) Principal buyers are the former employees of the Group.

Details of options granted are as follows:

Date of grant and vesting date	Exercise period	Exercise price per share HK$
9 October 2003	10 October 2003 – 28 August 2011	0.3810
16 November 2004	17 November 2004 – 28 August 2011	0.2166

Total consideration received during the year from employees for taking up the options amounted to HK$nil (2004: HK$3).

The fair value of the Company's share at the date of offer of the above options, being the closing price of the Company's shares as stated in the daily quotation sheets issued by The Stock Exchange on the trading day immediately preceding that day, was HK$0.38 and HK$0.21 respectively.

37. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong since December 2000. The assets of the scheme 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$207,000 (2004: HK$194,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2005, contributions of HK$11,000 (2004: HK$19,000) due in respect of the current reporting year had not been paid to the schemes.

38. RELATED PARTY TRANSACTIONS

(i) Apart from the disclosure in notes 23 and 27 above, during the year, the Group also had the following transactions with the related parties:

	2005	2004
	HK$'000	HK$'000
Transactions with a Director:		
Rentals for office and staff quarter charged to the Group	**178**	185
Transactions with an associate:		
Logistics charges paid by the Group	**880**	227

38. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2005 HK$'000	2004 HK$'000
Short-term benefits	3,732	6,303
Post-employment benefits	25	25
	3,757	6,328

The remuneration of key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

39. EVENTS AFTER THE BALANCE SHEET DATE

The Group is in negotiation with a potential new investor for the introduction of new equity capital to restore the liquidity and financial position of the Group. The negotiation is yet to be finalised at the date of the approval of the consolidated financial statements.

40. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly owned at 31 December 2005 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 Directly	Attributable equity interest held by the Company Indirectly	Principal activities
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
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

40. 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 Directly	Indirectly	Principal activities
Artel International Investments 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
Hashan Development Company, Limited	Hong Kong	HK$100,000	–	100%	Assets holding
Yiu Fai Trading Limited	British Virgin Islands	US$50,000	–	100%	Investing holdings

* 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 of the subsidiary or to participate in any distribution on winding up.

** This subsidiary is a wholly foreign owned enterprise.

None of the subsidiaries had issued any debt securities at the end of the year.