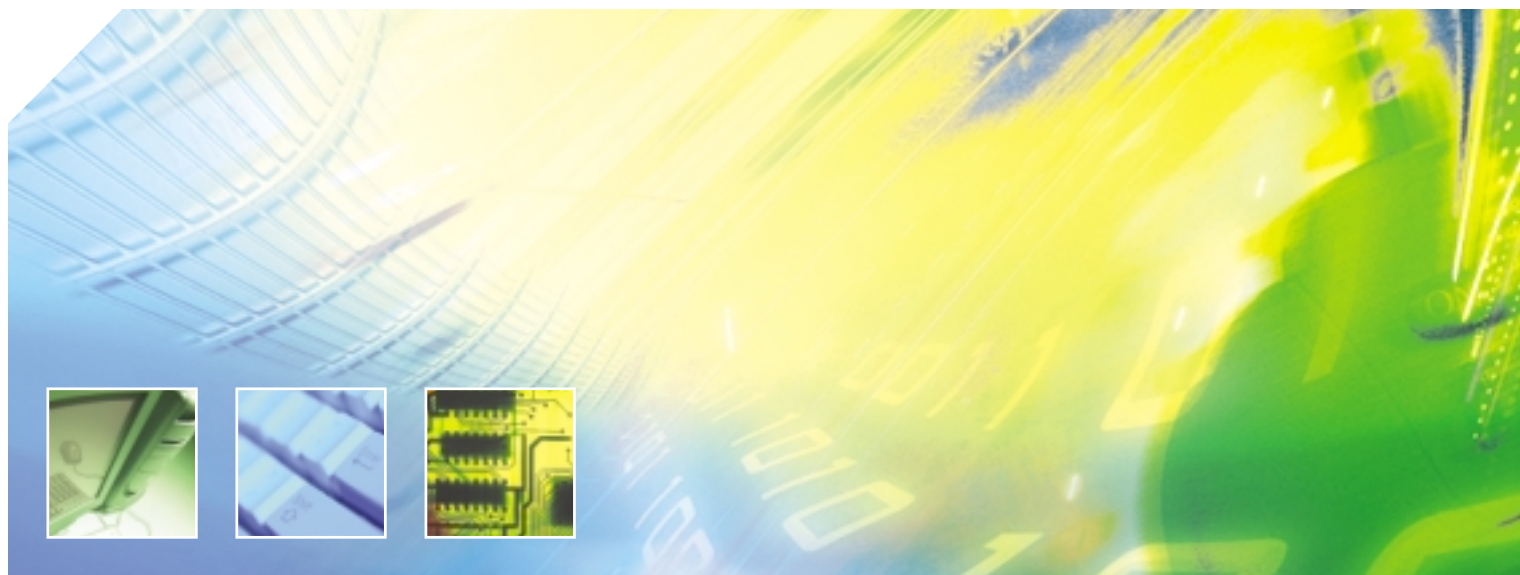


MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Distribution of Electronic Components

Mobile Phone Products

During the year, riding on the booming demand for high-end multi-functional products, the Group reaped profit from the distribution of Core Logic total solutions for multimedia products including the new MPEG-4 and 2.0 mega pixel cameras. Besides, the ramped up Agere GSM/GPRS baseband chipsets with built-in multi-media processor agreed with the market trend commanding simpler product design and upgradability, which sharpened the competitive edge of Agere. Demand for TFT display (QCIF/QVGA resolution) and related interfacing components also surged robustly, and that boosted the Group's capability of securing more quality customers.

Consumer Electronic Products

Attributable to growing consumption power and mushrooming demand for consumer electronics, the Group's solutions for portable DVD players, MP3, PMP, LCD TV and digital cameras (DSC) all recorded considerable sales. Samsung and AU Optronics solutions, including those for TFT-LCD ranging from 1.5 inches to 47 inches screens, distributed by the Group also achieved breakthroughs in sales. In addition, the Nand Flash cards from Hynix also recorded satisfactory sales.

The Group also reported stable growth in sales distributing audio and visual products of National Semiconductor, Fairchild and California Micro Devices. During the year under review, the Group received an "Outstanding Performance" award from Fairchild and the "Distributor of the Year (Asia)" award from California Micro Devices.

During the year, the Group started research and analysis of digital broadcasting technology in a bid to prepare its operation for the arrival of the digital broadcasting era in 2007.



Computer Products

Rocketing demand for notebook computers in 2005 gave a strong boost to the computer industry. Notebook computers are also subjected to shorter replacement or upgrading cycles and this pushed up sales of the Group's Hynix memory chip products, Foxconn & Mitsumi connectors, Agere USB, Gigabit Ethernet & 1394 products, ITE I/O products and AVX passive components.

Communication Products

The growing popularity of VoIP phones drove the sales of the Agere VoIP solution, Legerity switch ICs and ITE interface components. Also, since USB became the standard interface for data communication, demand for USB interface controller ICs and connectors has surged. Moreover, the increasingly widespread adoption of Bluetooth standard for wireless data communication bred demand for Bluetooth modules.

Distribution of Sports Equipment

During the year under review, the Group added to its portfolio several renowned golf product brands, including Orlimar from the USA, MAKSER golf club from Europe, Hi-Tec golf shoes from the UK, Akira golf club from Japan, Free Line golf balls and Feel Golf wedges from the USA. These products provide the Group with a solid profit base.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally finances its operation by internally generated cash flow and banking facilities provided by its bankers. Prudent financial management policy has enabled us to maintain a healthy financial position. As at 31 December 2005, the Group had fixed deposits and cash balances aggregated to approximately HK\$188,114,000 (2004: approximately HK\$122,799,000).

As at 31 December 2005, the Group had banking facilities amounted to an aggregate sum of approximately HK\$981 million (2004: approximately HK\$877 million) with various banks. Total indebtedness of bank borrowings amounted to approximately HK\$576,880,000 (2004: approximately HK\$373,158,000), representing approximately 158.2% of the total equity attributable to equity holders of the Company. (2004: approximately 109.7%).

As at 31 December 2005, the current ratio was maintained at approximately 1.4 (2004: approximately 1.4) based on current assets of approximately HK\$970,759,000 and current liabilities of approximately HK\$686,392,000 and quick ratio was approximately 1.0, also same to previous year.

The Directors considered that the Group shall have sufficient financial resources to meet its working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

Foreign Exchange Risk Management

The Group had limited exposure to fluctuation in foreign currencies as most of its transactions were conducted in Hong Kong and United State dollars. Exchange rates between these currencies were relatively stable during the year under review.

Employees and Remuneration Policies

As at 31 December 2005, the Group employed approximately 380 employees (2004: approximately 350) in Hong Kong and the PRC. For the year ended 31 December 2005, staff costs amounted to approximately HK\$43.1 million (2004: approximately HK\$38.4 million). They were remunerated according to their merit, qualification, competence and job nature. Other staff benefits include provident fund schemes and medical insurance.

Major Customers and Suppliers

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 12.9% and 44.5% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers.

The aggregate turnover attributable to the Group's five largest customers taken together were less than 30% of the Group's total turnover for the year.

PROSPECTS

Looking ahead, the Group will watch closely factors such as possible revaluation of the RMB, increasing interest rate and oil price, which may affect its business. Meanwhile, it will also explore different development opportunities. The Group is cautious optimistic about the prospects for its business.

The Group has the advantage of being able to quickly grasp market trends. The Group starts to come up with solutions for customers when their products are still on trial. This helps customers speed up time to market of their products, thus quickly gain market share. In March 2006, applying NMS products from NMS Communications, the Group supported CSL's offer of TV services on 3G mobile phones. CSL is the first mobile communication provider in Hong Kong to launch such services since 3G mobile phones hit Hong Kong.

To cater for expanding 3G mobile communication applications all over the world, Agere has moved from offering 3G chipsets to complete solutions thorough voice and data transmission in reality network has impressed mobile phone manufacturers in the China market, and most of them have started to invest in the research and development of 3G products. The Group stands prime to capture business opportunities from product upgrade.

Besides offering solutions to mobile phone applications, the Group will focus on developing quality solutions to meet fast-changing requirements of customers in the communications, computer, consumer electronics, and mobile phone industries.

In addition, the Group will step up consolidation of its supply chain to strengthen the Group's function as a bridge between the suppliers and customers. The Group will expand its supplier network for sourcing competitively-priced quality electronic components, and at the same time gather market information for suppliers. Such moves will enable the Group to tailor electronic components and offer relevant professional advice when it offers design services to customers. The Group can also reflect customer needs to suppliers. Moreover, the Group will strive to enhance its logistics service to hasten speed to market of customers' products.

CONCLUSION

The Group is committed to achieving its mission of offering to customers products and services that are cost effective and of high quality. This commitment explains the close and deep relationship we have with suppliers and customers, which has been pivotal to the Group's success. The Group will adhere to its proven operational principle in its strive for profit growth and fruitful returns to shareholders.