

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs"), issued by the HKICPA, that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period.

3. POTENTIAL IMPACT OF NEW STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

4. SEGMENT INFORMATION

The turnover and contributions to profit of the Group for the six months ended 30 June 2006, analyzed by business segments and by geographical segments, are as follows:

Business segments

For management purposes, the Group's operations are organized into two operating division namely distribution of electronic components and semiconductors products and distribution of sports products. These divisions are the basis on which the Group reports its primary segmental information.

Segment information about these businesses is presented as follows:

	For the six months ended 30 June			
	Turnover		Results	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Distribution of:				
Electronic components and semiconductors products	1,067,047	1,001,589	37,480	25,195
Sports products	13,346	46,311	443	4,407
	<u>1,080,393</u>	<u>1,047,900</u>	<u>37,923</u>	<u>29,602</u>
Interest income			2,441	937
Unallocated corporate expenses			(4,512)	(4,582)
Unallocated corporate income			2,634	4,120
Finance costs			(15,625)	(9,306)
Impairment loss on available-for-sale investments			(7,800)	–
Share of results of associates			30	(30)
Profit before taxation			15,091	20,741
Taxation			(2,454)	(2,279)
Profit for the period			<u>12,637</u>	<u>18,462</u>

Geographical segments

The Group's operations are located in the People's Republic of China excluding Hong Kong and Taiwan regions (the "PRC"), Hong Kong and Taiwan. The Group's distribution of electronic components and semiconductors products is mainly carried out in the PRC, Hong Kong and Taiwan. Distribution of sports products is mainly carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
The PRC	647,864	642,864
Hong Kong	309,493	289,490
Taiwan	106,543	97,140
Others	16,493	18,406
	<u>1,080,393</u>	<u>1,047,900</u>

5. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

The Group's available-for-sale investments consist of certain long-term investments in unlisted equity securities issued by a private entity, which is a Korean-based OLED producer. In view of the uncertain market situation, the Directors have reassessed the expected future cashflows to be generated and have recognized an impairment loss of HK\$7,800,000 against half of its carrying amount at 30 June 2006.

6. TAXATION

	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong Profits Tax	<u>2,454</u>	<u>2,279</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for period. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

No provision for deferred taxation has been made for the period ended 30 June 2006 as the effect of all temporary differences is not material.

7. PROFIT FOR THE PERIOD

For the six months
ended 30 June

	2006 HK\$'000	2005 HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation	<u>5,106</u>	<u>4,281</u>

8. DIVIDEND PAID

For the six months
ended 30 June

	2006 HK\$'000	2005 HK\$'000
Final dividend in respect of the previous financial year, paid during the period, of HK5 cents per share (2005: HK4 cents)	<u>12,127</u>	<u>9,701</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit for the period attributable to equity holders of the Company of approximately HK\$10,766,000 (2005: HK\$17,323,000) and weighted average number of 242,540,720 shares (2005: 242,540,720 shares) in issued during the period.

No diluted earnings per share has been presented for both periods as the Company had no potential ordinary shares outstanding during the six months ended 30 June 2006 and 2005.

10. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

An aged analysis of trade and bills receivables by due dates is as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Current to 30 days	295,569	426,344
31 to 60 days	17,837	31,047
61 to 90 days	13,966	10,076
Over 90 days	43,888	28,082
	<hr/>	<hr/>
Trade receivables and bills receivable	371,260	495,549
Other receivables	41,357	30,386
	<hr/>	<hr/>
	412,617	525,935
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The Group allows a credit period ranged from 30 days to 120 days to its trade customers.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

An aged analysis of trade and bills payables by due date is as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Current to 30 days	165,923	221,465
31 to 60 days	2,453	6,567
61 to 90 days	3,524	3,272
Over 90 days	7,122	534
	<hr/>	<hr/>
Trade payables and bills payable	179,022	231,838
Other payables	32,993	24,766
	<hr/>	<hr/>
	212,015	256,604
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12. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

During the period, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the period and balances at the balance sheet date with related parties in which certain directors of the Company have beneficial interests, are as follows:

(a) Transactions

Name of party	Interested director	Nature of transactions	For the six months ended 30 June	
			2006 HK\$'000	2005 HK\$'000
Hon Hai Precision Industry Co Ltd ("Hon Hai") (note i) and its subsidiaries	-	Purchases of electronic products (note ii)	18,993	41,095
		Sales of electronic products (note ii)	93,731	81,584
		Commission received by the Group (note ii)	-	126
United Dynamic Limited	Yim Yuk Lun, Stanley JP	Rental expenses paid by the Group (note iii)	-	240
			-	-

(b) Balances

Name of party	Nature of transactions	30 June	
		2006 HK\$'000	31 December 2005 HK\$'000
Hon Hai (note i) and its subsidiaries	Balance		
	- trade receivables	46,272	54,128
	- trade payables	8,556	29,250
		46,272	83,378

Notes:

- i. Hon Hai is a substantial shareholder of the Company.
- ii. The transactions were carried out at terms determined and agreed by both parties.
- iii. The rentals were charged at terms determined and agreed by both parties.

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the period, and significant balances with them at the balance sheet date, are as follows:

(a) Transactions

Name of party	Nature of transactions	For the six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Varitronix International Ltd (note i) and its subsidiaries	Purchases of electronic products (note ii)	414	205
	Sales of electronic products (note ii)	27,530	13,668
	Rental expenses paid by the Group (note ii)	129	147
Associates:			
Bestime Technology Development Ltd	Sales of electronic products (note ii)	152	619
	Purchases of electronic products (note ii)	-	6,105
Ocean Bright Technology Ltd	Purchases of electronic products (note ii)	-	4,212
Now Electron Inc	Sales of electronic products (note ii)	4,755	2,966
		4,755	2,966

(b) Balances

Name of party	Nature of transactions	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Varitronix International Ltd (note i) and its subsidiaries	Balance		
	– trade receivables	6,515	1,683
	– trade payables	110	331
Associates:			
Bestime Technology Development Ltd	Balance		
	– trade receivables	646	854
Ocean Bright Technology Ltd	Balance		
	– trade receivables	–	771
	– trade payables	688	688
Now Electron Inc	Balance		
	– trade receivables	1,363	1,298
Vantage Technology Ltd	Balance		
	– other receivables	5,999	5,999

Notes:

- i. Dr. Chang Chu Cheng, a director of the Company, has beneficial interest in the company.
- ii. The transaction was carried out at terms determined and agreed by both parties.