

Welcome to Truly's Colourful World



Interim Report 2006

TRULY[®]

Truly International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 732

Contents

- 2** Financial Highlights
- 3** Chairman's Statement
- Financial Results*
- 5** Condensed Consolidated Income Statement
- 6** Condensed Consolidated Balance Sheet
- 8** Condensed Consolidated Statement of
Changes in Equity
- 9** Condensed Consolidated Cash Flow
Statement
- 10** Notes to Condensed Consolidated Financial
Statements
- 14** Management Discussion and Analysis
- 17** Other Information

Truly International Holdings Limited



Financial Highlights

	For the six months ended 30 June		
	2006 Unaudited <i>HK\$'000</i>	2005 Unaudited <i>HK\$'000</i>	Change %
Turnover	2,214,034	2,087,759	+6
Gross profit	529,580	497,276	+7
Net profit for the period	347,592	335,770	+4
Basic EPS	75.70 HK cents	74.22 HK cents	+2

Chairman's Statement

2006 has been and will be a year of challenge for the Group. After years of rocket speed growth, we are now undergoing a business consolidation stage in which we will be placing more emphasis on high profit margin items such as industrial and automotive display applications. Our previous heavy reliance on mobile handset applications will soon be diversified by a more balanced product mix to suit the market needs. To summarise the first half year performance, I would like to announce that the Group has achieved a single digit growth in both turnover and net profit. Unaudited consolidated turnover for the six months ended 30 June 2006 was HK\$2.21 billion which was about 6% more than the last corresponding period (HK\$2.09 billion). Unaudited net profit for the period was about HK\$348 million representing an increase of approximately 4% over the same period in 2005 (HK\$336 million). During the six months ended 30 June 2006, both gross (23.9%) and net profit margins (15.7%) were maintained at a level comparable with the same period last year and the full year of 2005.

Sales of the Group's Liquid Crystal Display ("LCD") products are under three major categories namely Thin-Film Transistor ("TFT"), Colour Supertwisted Nematic ("CSTN") and Mono STN LCD Displays. The respective percentage sales during the first half year were around 44%, 38% and 18%. The exceptionally outstanding performance of the TFT display applications has provided the best clue to support our earlier decision to proceed with the investment in manufacturing the TFT panels in-house. We believe the commencement of a mass production plant in around March next year will witness another transitional phase in the history of Truly's business success.

Diversify to automotive, industrial and equipment market started end of 2004

When we took on the mobile display market, we knew that as the handset LCD module market sizes up, the profit margin inevitably becomes lesser. Since the fourth quarter of 2004, the Group has been employing steps to avoid prolonged over dependent on handset market. These measures include the strengthening of our research and application developments in automotive, industrial and equipment sectors. These markets do not provide explosive growth at any time but are steadily increasing and, comparatively, have more decent profit margins.

Net profit margin maintains amid increase of HK\$40 million operating expenses and slight increase in sales revenue

Throughout 2005 and early 2006 we were happy to see these foresights contributed to the growth and stability of the Group's business. The wages and salaries expenses were greater in 2006 due to increased number of workers which were needed for the more sophisticated back end assembly service. The research and development expenses were greater in 2006 due to automotive, industrial and equipment business as well as the TFT project. These two areas cost a surge of HK\$40 million operating expenses in the first six months of 2006. During the same period our sales increased slightly but our net profit margin held up amid a much higher operating expense. This was due to the improvement in the gross profit margin attributed to the improved balancing of the group's product mix.



Chairman's Statement *(Continued)*

Truly targets to increase sales revenue to better the industry's average and to achieve higher growth rate in net profit than sales revenue by advances in the automotive, industrial and equipment markets

As the Group's product category sales become more evenly spread, we hope to achieve a higher growth rate in net profit than in sales while the revenue growth will still be above the industry's average. Our next target is to conquer the highlands of automotive, industrial and equipment LCD markets. We are dispensing 70% of our sales forces to these battle fields. Together with the commoditized handset display sector, these four pillars will become cornerstones of the Group's business stronghold.

Truly's TFT business not competing with the world's TFT mammoths

Our new TFT panel production line is not up against the TFT mammoths. Our TFT line is flexible in production that rolls out panels with rich technology content. Truly's comprehensive assembling technologies can satisfy the top requirement standard of the most demanding applications. While the world's TFT giants are competing market shares in consumer electronics products, Truly's TFT is gaining business from the automotive, industrial and equipment sectors, high precision products, as well as the military and defense industries. Backed by 16 years of LCD R&D, application design, field engineering & manufacturing patents and expertise, Truly is confident to become a major supplier of professional TFT display with customized TFT panel production line and application specific assembling divisions.

Truly invests in people in good and bad times

It has always been my greatest concern to invest in people not only in good times but in bad times also. Through years of in-house training and overseas field development, our engineering teams are now in the best shape and with full strength and are ready to meet day-to-day challenge in terms of new product developments and satisfying customers' needs. Having this capability and flexibility in human resources, we have strategically integrated our marketing and technical support functions to achieve the best customers' satisfaction and guarantee a continuous growth in business and profitability. I am therefore confident of leading the Group to a greater success in the near future.

Last but not least, I would like to thank our shareholders, business partners, staff and workers for their continuous support to the growth of the Group.

Lam Wai Wah, Steven
Chairman

Hong Kong, 17 August 2006

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000 (Restated)
TURNOVER		2,214,034	2,087,759
Cost of sales		(1,684,454)	(1,590,483)
Gross profit		529,580	497,276
Other income		13,958	5,543
Distribution costs		(35,516)	(30,558)
Administrative expenses		(79,120)	(67,485)
PROFIT FROM OPERATIONS	2	428,902	404,776
Finance costs	3	(11,423)	(5,365)
Share of results of an associate		(199)	(443)
PROFIT BEFORE TAXATION		417,280	398,968
INCOME TAX EXPENSE	4		
– Hong Kong		(36,500)	(32,500)
– Overseas		(33,188)	(22,478)
– Deferred		–	(8,220)
		(69,688)	(63,198)
NET PROFIT FOR THE PERIOD		347,592	335,770
INTERIM DIVIDEND		107,354	105,108
EARNINGS PER SHARE	5		
Basic		75.70 HK cents	74.22 HK cents
Diluted		74.93 HK cents	72.78 HK cents

Certain comparative figures have been reclassified to conform with the current period's presentation.



Condensed Consolidated Balance Sheet

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,138,715	1,091,452
Prepaid lease payments		97,039	98,267
Deposits paid for acquisition of property, plant and equipment		49,943	60,592
Intangible assets		14,792	19,402
Interest in an associate		917	1,086
Deferred tax assets		415	415
Goodwill		413	413
Available-for-sale investments		10,540	–
CURRENT ASSETS			
Inventories		534,100	549,994
Trade and other receivables	6	994,337	755,709
Tax recoverable		2,152	1,967
Amount due from an associate		763	447
Bank balances and cash		649,570	848,436
		2,180,922	2,156,553
CURRENT LIABILITIES			
Trade and other payables	7	559,709	921,761
Tax liabilities		113,617	98,728
Bank borrowings		346,654	181,937
		1,019,980	1,202,426
NET CURRENT ASSETS		1,160,942	954,127
TOTAL ASSETS LESS CURRENT LIABILITIES		2,473,716	2,225,754

Condensed Consolidated Balance Sheet *(Continued)*

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Bank borrowings	(245,478)	(249,559)
Deferred tax liabilities	(38,150)	(38,150)
	(283,628)	(287,709)
	2,190,088	1,938,045
CAPITAL AND RESERVES		
Share capital	46,640	45,816
Reserves	2,143,448	1,892,229
	2,190,088	1,938,045



Condensed Consolidated Statement of Changes in Equity

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Total shareholders' funds as at 1 January	1,938,045	1,407,939
Exchange differences arising on translation of overseas operations not recognised in the income statement	982	(1,756)
Issue of shares under share option scheme	18,095	6,566
Net profit for the period	347,592	335,770
Dividend paid	(114,626)	(104,576)
Total shareholders' funds as at 30 June	<u>2,190,088</u>	<u>1,643,943</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(140,743)	380,090
Net cash used in investing activities	(110,028)	(191,605)
Net cash from/(used in) financing activities	52,682	(83,203)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(198,089)	105,282
Cash and cash equivalents at beginning of the period	848,436	476,012
Effect of foreign exchange rate changes	(777)	(1,643)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	649,570	579,651
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	649,570	580,014
Bank overdrafts	-	(363)
	<hr/>	<hr/>
	649,570	579,651
	<hr/>	<hr/>

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The unaudited condensed consolidated interim financial statements are 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 (the "Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except as described below.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 31 December 2005 or 1 January 2006.

The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented. The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are presented. Those new HKFRSs may result in changes in the future as to how the results and financial position are presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ²
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 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.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

Notes to Condensed Consolidated Financial Statements (Continued)

2. Profit from operations

The Group's profit from operations is arrived at after charging:

	Six months ended	
	30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation on fixed assets	75,298	62,150
Amortisation on development expenditure	4,727	4,866
Staff costs, inclusive of directors' remuneration	97,113	81,299
	<u>97,113</u>	<u>81,299</u>

3. Finance costs

	Six months ended	
	30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	11,423	5,212
Finance leases	—	153
	<u>11,423</u>	<u>5,365</u>

4. Income tax expense

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

Notes to Condensed Consolidated Financial Statements (Continued)

5. Earnings per share

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>347,592</u>	<u>335,770</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>459,148,000</u>	452,422,000
Effect of dilutive share options	<u>4,732,000</u>	<u>8,913,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>463,880,000</u>	<u>461,335,000</u>

6. Trade and other receivables

The Group has a policy of allowing an average credit terms ranging from 30 to 90 days to its trade customers.

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	Aged analysis of trade receivables:	
Within 60 days	429,745	566,087
61 to 90 days	47,771	63,958
More than 90 days	<u>40,431</u>	<u>24,611</u>
	<u>517,947</u>	654,656
Deposits and prepayments	<u>476,390</u>	<u>101,053</u>
	<u>994,337</u>	<u>755,709</u>

Notes to Condensed Consolidated Financial Statements (Continued)

7. Trade and other payables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Aged analysis of trade payables:		
Within 60 days	221,241	685,095
61 to 90 days	113,923	38,014
More than 90 days	93,232	31,596
	<hr/> 428,396	<hr/> 754,705
Other payables and accrued charges	131,313	167,056
	<hr/> 559,709	<hr/> 921,761

Management Discussion and Analysis

Results

The Group's turnover for the six months ended 30 June 2006 amounted to HK\$2.21 billion (2005: HK\$2.09 billion). Profit for the period was HK\$348 million (2005: HK\$336 million).

Segmental Information

	Six months ended 30 June 2006		Six months ended 30 June 2005	
	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution (Unaudited) HK\$'000
By geographical segments:				
The People's Republic of China	1,794,255	337,684	1,487,913	290,459
South Korea	107,888	20,345	329,441	64,663
Japan	54,404	10,242	92,476	18,593
Hong Kong	85,529	16,160	70,410	13,526
Europe	94,648	18,140	54,224	7,719
Elsewhere	77,310	15,459	53,295	6,530
	2,214,034	418,030	2,087,759	401,490
Interest income from bank deposits		11,313		3,687
Unallocated corporate expenses		(441)		(401)
Profit from operations		428,902		404,776
By business segments:				
Liquid crystal display products	2,149,685	404,407	1,977,331	399,310
Electronic consumer products	64,349	13,623	110,428	2,180
	2,214,034	418,030	2,087,759	401,490
Interest income from bank deposits		11,313		3,687
Unallocated corporate expenses		(441)		(401)
Profit from operations		428,902		404,776

Management Discussion and Analysis *(Continued)*

Business Review and Outlook

The Group's core business, manufacture and distribution of LCD display and related products has further increased its percentage share in the consolidated turnover reaching 97%. LCD sales for the period were about HK\$2.15 billion (2005: HK\$1.98 billion). Same as recent years, our business in the mainland China geographical segment still outperformed over others when more and more multinational corporations (from including the US, Europe, Japan and Korea) increase their tangible investments in China in the form of building new factories, strengthening their marketing networks, hiring and training more local people to operate their businesses and so on. Together with the upcoming 3G mobile telephone network and the wider use of Global Positioning System ("GPS") for automotives in China, we believe this important geographical segment will still play a very major role in the growth of the Group's business and profitability in the short and medium terms.

During the interim period, the adverse effects of persistently high energy price, increased labour and production overheads cost and investments in more up-to-date machinery had resulted in a more difficult pricing strategy. In addition to maintaining the existing profitable business in the telecommunication display applications, the Group has successfully developed new product lines of potentially higher profit margins. For instance, display products for industrial and automotive uses are usually under more stringent requirements which sometimes involve quality standards affecting human lives and environmental protection. Not only has this new development helped maintain the overall gross profit margin for the period (around 24%), but with its anticipated bulk purchase volume in the second half year, our full year performance will be more or less guaranteed.

Looking ahead, with the heavy investments in capital expenditure and human resources probably for the next three to five years, we have put more efforts in controlling operating costs and production overheads. The forthcoming closure of the Group's German Office on one hand has tightened the relationships among the customers, our marketing arms in the major cities of Europe and the factories and on the other hand established an appropriate rewarding program for higher profitable businesses. With years of progressive developments, our factory base in China has now been recognised of an international class not only by its complexity but with its tremendous efficiency. Together with the commencement of mass production in our TFT panel production line in early 2007, we trust our products will be even more competitive and our customer base can be significantly broadened.

Liquidity and Financial Resources

There were no material changes in the assets and liabilities of the Group as at 30 June 2006 compared to the last financial year end at 31 December 2005, except that a sum of approximately HK\$364 million was paid to vendors as deposits for the purchases of TFT panel production machines (a major transaction duly approved by shareholders) which significantly increased the amount of current assets. The current ratio was maintained at a level of around 2.1 while the Group was still in net cash position as at 30 June 2006.



Management Discussion and Analysis *(Continued)*

At the balance sheet date, the surplus cash and bank balances, net of outstanding bank borrowings were HK\$57 million (2005: HK\$137 million). Among the total gross borrowings of HK\$592 million, HK\$347 million were repayable within a year with the remaining balances repayable within a period of two to three years. As at 30 June 2006, the Group had pledged certain of its leasehold properties and related assets with an aggregate carrying value of approximately HK\$43.5 million to secure banking facilities granted to the Company's subsidiaries and subsequent to the balance sheet date the charge was released by the related bank.

Capital expenditure of approximately HK\$2 billion for the next three years in respect of acquisition of property, plant and equipment was authorized but not contracted for. Their expected sources of funding will be substantially from internal reserves.

General

Except for 8,240,000 ordinary shares issued upon the same number of staff's share options exercised at HK\$2.196, there was no other change to the capital structure of the Group during the six months ended 30 June 2006. The issued and fully paid share capital of the Company was therefore increased by HK\$824,000.

The state of the Group's current order books is good.

Except for investments in subsidiaries, neither the Group nor the Company had held any material investments during the six months ended 30 June 2006.

There were no material acquisitions and disposals of subsidiaries and associated companies in the course of the financial period.

There are more than 7,000 workers and employees currently employed in the Group's Shan Wei factory and around 80 staff in our Hong Kong office.

The Group had no material contingent liabilities. Exposure to fluctuations in exchange rates was minor and properly hedged.

Other Information

Interim Dividend

The Directors have resolved to pay an interim dividend of 23 HK cents per share (2005: 23 HK cents) to shareholders whose names appear on the Register of Members on 13 October 2006. It is expected that the interim dividend payments will be made to shareholders on 19 October 2006.

Closure of Register of Members

The Register of Members will be closed from 9 October 2006 to 13 October 2006, both dates inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrars, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 6 October 2006.

Directors' Interests in Shares and Underlying Shares

At 30 June 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) Ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lam Wai Wah, Steven	Beneficial owner	206,448,000	44.26%
	Held by spouse (Note 1)	12,100,000	2.60%
		<u>218,548,000</u>	<u>46.86%</u>
Wong Pong Chun, James	Beneficial owner	534,000	0.12%
	Held by spouse (Note 2)	100,000	0.02%
		<u>634,000</u>	<u>0.14%</u>
Cheung Tat Sang, James	Beneficial owner	800,000	0.17%
Li Jian Hua	Beneficial owner	<u>1,000,000</u>	<u>0.21%</u>
		<u>220,982,000</u>	<u>47.38%</u>

Other Information (Continued)

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Lam Wai Wah, Steven	Beneficial owner	–	–
Wong Pong Chun, James	Beneficial owner	9,500,000	9,500,000
Cheung Tat Sang, James	Beneficial owner	11,600,000	11,600,000
Li Jian Hua	Beneficial owner	4,400,000	4,400,000
	Held by spouse (Note 3)	4,400,000	4,400,000
		<u>8,800,000</u>	<u>8,800,000</u>
		<u>29,900,000</u>	<u>29,900,000</u>

Notes:

1. Lam Wai Wah, Steven is deemed to be interested in 12,100,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Chung King Yee, Cecilia.
2. Wong Pong Chun, James is deemed to be interested in 100,000 ordinary shares of the Company, being the interests held beneficially by his spouse, Lai Ching Mui, Stella.
3. Li Jian Hua is deemed to be interested in 4,400,000 share options of the Company, being the interests held beneficially by his spouse, Guo Yu Yan.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 June 2006.

Other Information *(Continued)***(b) Share options** *(Continued)*

Details of the share options outstanding as at 30 June 2006 which have been granted under share option schemes adopted respectively on 22 May 2001 and 22 December 2003 were as follows:

Name	Capacity	Number of options outstanding at 1.1.06	Granted (Note 1)	Exercised (Note 2)	Number of options outstanding at 30.6.06
Lam Wai Wah, Steven (Note 3)	Director/Substantial shareholder	6,900,000	–	(6,900,000)	–
Wong Pong Chun, James	Director	5,190,000	4,500,000	(190,000)	9,500,000
Cheung Tat Sang, James	Director	8,100,000	4,500,000	(1,000,000)	11,600,000
Li Jian Hua	Director	4,400,000	–	–	4,400,000
Guo Yu Yan	Spouse of Director	4,400,000	–	–	4,400,000
		8,800,000	–	–	8,800,000
Others	Employees	29,105,000	4,500,000	(150,000)	33,455,000
		<u>58,095,000</u>	<u>13,500,000</u>	<u>(8,240,000)</u>	<u>63,355,000</u>

Notes:

- 13,500,000 share options were granted during the period exercisable at a price of HK\$9.58 under the new share option scheme adopted on 22 December 2003.
- 8,240,000 share options were exercised during the six months ended 30 June 2006 under the old share option scheme adopted on 22 May 2001 at an exercise price of HK\$2.196.
- Other than the share options held by Lam Wai Wah, Steven as disclosed above, no share option has been granted to other substantial shareholders.

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised under both share option schemes of the Company during the period.

Other Information *(Continued)***Arrangement to Acquire Shares or Debentures**

Other than the share option schemes disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of Lam Wai Wah, Steven, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions**Ordinary shares of HK\$0.1 each of the Company**

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chan Kin Sun <i>(Note)</i>	Beneficial owner	28,900,000	6.20%
	Held by spouse	9,856,000	2.11%
		<u>38,756,000</u>	<u>8.31%</u>
Chan Lai Lan	Beneficial owner	<u>25,896,000</u>	<u>5.55%</u>

Note: Chan Kin Sun and his spouse, Cheng Kwan Ying, Jennifer, are deemed to be interested in 38,756,000 shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2006.

Other Information *(Continued)*

Purchase, Sale or Redemption of Security

No purchase, sale or redemption was made by the Company or its subsidiaries of the Company's listed securities during the period.

Model Code

None of the Directors of the Company is aware of information that would reasonably indicate that the Company was not in the period under review in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

Audit Committee

The Company has an audit committee which was established in accordance with the code provisions of the Corporate Governance Code (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting matters and internal controls. The Audit Committee comprises all the three independent non-executive directors namely Mr. Chung Kam Kwong, being the Committee Chairman, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing. Mr. Wong Pong Chun, James, being an executive director is also a member of the Committee and they meet at least four times a year.

Remuneration and Nomination Committees

The Company has a remuneration and nomination committee separately which were established in accordance with the relevant requirements of the Code. The two Committees are chaired by Mr. Chung Kam Kwong, an independent non-executive director and comprise three other members namely Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing, being independent non-executive directors and Mr. Wong Pong Chun, James, being an executive director of the Company.



Other Information *(Continued)*

Corporate Governance

We have complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006, except for a major deviation as below:

– **Code Provision A.2.1**

The roles of the Chairman and the Chief Executive are not separated and are performed by the same individual, Mr. Lam Wai Wah, Steven. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Company's management and believes that this structure will enable us to make and implement decisions promptly and efficiently.

By Order of the Board
Lam Wai Wah, Steven
Chairman

Hong Kong, 17 August 2006

As at the date of this report, the Board comprised Mr. Lam Wai Wah, Steven, Mr. Wong Pong Chun, James, Mr. Cheung Tat Sang, James and Mr. Li Jian Hua as executive directors and Mr. Chung Kam Kwong, Mr. Ip Cho Ting, Spencer and Mr. Heung Kai Sing as independent non-executive directors.