NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under 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 annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2005, except as described below.

In the current period, 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 ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the 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 income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. 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 or prior accounting periods are prepared and presented:

(1) Share-based Payments

In current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting periods. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted after 7 November 2002 and not yet vested at 1 July 2005 in accordance with the transitional provisions in HKFRS 2. This change in accounting policy has been applied retrospectively. The opening accumulated profits as at 1 July 2005 and 1 July 2004 were decreased by HK$9.1 million and HK$2.8 million, respectively. Profit attributable to the Company's shareholders for the six months ended 31 December 2005 have been decreased by HK$1.6 million (2004: HK$3.7 million).

(2) *Financial Instruments*

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current or prior periods. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarized below:

<u>Classification and measurement of financial assets and financial liabilities</u>

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

By 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments other than held-to-maturity debt securities are classified as "investment securities" and "other investments". Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary. Other investments are measured at fair value, with unrealized gains and losses included in net profit or loss for the period. From 1 July 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively. Financial assets classified as "held for trading" are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortized cost using the effective interest method.

On 1 July 2005, all long term investments and short term investments held as at 30 June 2005 were re-designated into "available-for-sales financial assets" and "investments held for trading", respectively. This change has had no material effect on the results of the current period.

Derivative financial instruments
In previous years, derivative financial instruments were not separately recorded in the financial statements.

Following the adoption of HKAS 32 and 39, derivatives are initially recognized at fair value on the date of entering the derivative contract and are subsequently remeasured at fair value at each balance sheet date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. Changes in fair value of derivatives that are designated and qualified as fair value hedges together with any changes in fair value of the corresponding hedged asset or liability are recorded in the income statement. Changes in fair value of derivatives held as hedging instruments that are designated and qualified as cash flow hedges are recognized in equity to the extent that the hedge is effective. Changes in fair value relating to the non-qualifying and ineffective portion of qualifying derivatives are recognized immediately in the income statement. In accordance with the transitional provisions in HKAS 39, this change in accounting policy has been applied prospectively. This change has no significant impact in the Group's net assets at 1 July 2005.

Derecognition
HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognized, when and only when, either the contractual rights to the assets' cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 July 2005. As a result, the Group's bills of exchange discounted with recourse which were derecognized prior to 1 July 2005 have not been restated and the Group did not have bills of exchange discounted with recourse which have been derecognized as at 31 December 2005. This change has had no material effect on the results for the current period.

3. *Owner-occupied Leasehold Interests in Land*
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and were stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses.

In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Amendement)	Capital Disclosure
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommission, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

3. Summary of the effects of the Changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

		Unaudited Six months ended 31 December	
		2005	2004
		HK$'000	*HK$'000*
Increase in administrative expenses	HKFRS 2	**1,642**	3,747

The cumulative effects of the application of the new HKFRSs on the condensed consolidated balance sheet are as follows:

	Unaudited 31 December 2005 HKAS 17	Unaudited 31 December 2005 HKFRS 2	Audited 30 June 2005 HKAS 17	Audited 30 June 2005 HKFRS 2
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Increase/(decrease) in assets				
Property, plant and equipment	**(53,857)**		(45,501)	
Prepaid lease payments – non-current	**52,499**		44,321	
Prepaid lease payments – current	**1,358**		1,180	
Increase/(decrease) in liabilities/equity				
Employee share-based compensation reserve		**10,716**		9,074
Accumulated profits		**(10,716)**		(9,074)

4. Segmental information

Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by business segment; and
(ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations, and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services, which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

(a) the CRT computer monitors segment, which engages in the manufacturing, trading and distribution of CRT computer monitors;

(b) the LCD monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors; and

(c) the Others segment, which engages in the manufacturing, trading and distribution of computer monitor components and televisions.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

(a) Business segments (Unaudited)
For the six months ended 31 December

	CRT computer monitors		LCD Monitors		Others		Elimination		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
TURNOVER										
Sales to external customers	**1,794,240**	3,041,389	**5,748,492**	2,735,507	**863,863**	132,167	**-**	–	**8,406,595**	5,909,063
Inter-segment sales*	**-**	–	**-**	–	**199,006**	197,932	**(199,006)**	(197,932)	**-**	–
	1,794,240	3,041,389	**5,748,492**	2,735,507	**1,062,869**	330,099	**(199,006)**	(197,932)	**8,406,595**	5,909,063
RESULTS										
Segment results	**26,286**	117,395	**138,516**	88,212	**16,956**	(52,246)	**-**	–	**181,758**	153,361
Unallocated corporate income									**8,320**	10,613
Unallocated corporate expenses									**(580)**	(36,171)
Profit from operations									**189,498**	127,803
Finance costs									**(60,445)**	(53,999)
Share of results of associates									**1,728**	1,918
Profit before taxation									**130,781**	75,722
Income tax expense									**(9,310)**	(7,276)
Profit for the period									**121,471**	68,446

* Inter-segment sales were charged with reference to the prevailing market prices.

(b) Geographical segments (Unaudited)
For the six months ended 31 December

	North America		Western Europe		Asia		Others		Consolidated	
	2005 HK$'000	2004 HK$'000 (Restated)	**2005 HK$'000**	2004 HK$'000 (Restated)	**2005 HK$'000**	2004 HK$'000 (Restated)	**2005 HK$'000**	2004 HK$'000 (Restated)	**2005 HK$'000**	2004 HK$'000 (Restated)
Sales revenue by geographical market	**2,266,972**	2,145,609	**2,868,420**	1,898,759	**2,981,992**	1,645,237	**289,211**	219,458	**8,406,595**	5,909,063
Segment results	**46,473**	111,739	**68,457**	31,330	**61,462**	11,838	**5,366**	(1,546)	**181,758**	153,361
Unallocated corporate income									**8,320**	10,613
Unallocated corporate expenses									**(580)**	(36,171)
Profit from operations									**189,498**	127,803

Notes:

(i) Western Europe mainly includes Belgium, United Kingdom, Netherlands, Germany and France.

(ii) Asia mainly includes Taiwan and the People's Republic of China ("PRC").

5. Profit from operations

Profit from operations has been arrived at after charging (crediting):

	(Unaudited) Six months ended 31 December	
	2005 HK$'000	2004 HK$'000
Depreciation of property, plant and equipment	**53,773**	44,119
Interest income	**(5,168)**	(4,816)

6. Income tax expense

	(Unaudited) Six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
The tax charge comprises:		
Current:		
Hong Kong	**80**	627
Other jurisdictions	**9,230**	6,649
Tax charge for the period	**9,310**	7,276

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Interim dividend

The Directors declare an interim dividend of HK2.5 cents (2004: HK2.2 cents) per share for the six months ended 31 December 2005. The interim dividend will be payable on or about 11 May 2006 to shareholders whose names appear on the register of members of the Company on 7 April 2006 with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. This interim dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of accumulated profits for the year ended 30 June 2006.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share of the Company to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares of the Company to be issued pursuant thereto.

8. Earnings per share

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	(Unaudited) Six months ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**107,231**	62,063

	Six months ended 31 December	
	2005	2004
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**645,464,129**	642,161,748
Effect of dilutive potential ordinary shares in respect of share options		9,066,579
Weighted average number of ordinary shares for the purpose of diluted earnings per share		651,228,327

No diluted earnings per share has been shown for the six months period ended 31 December 2005 because the exercise prices of the dilutive potential shares during the period were higher than the average market price of the Company's shares and accordingly, there was no dilutive effect on the basic earnings per share.

9. Movements in property, plant and equipment

During the period, the Group spent approximately HK$46 million on additions to property, plant and equipment. Certain property, plant and equipment of the Group with an aggregate net book value of approximately HK$99 million (30 June 2005: HK$128 million) were pledged to banks as security for the credit facilities granted to the Group.

10. Trade and bills receivables

The Group's payment terms with customers are normally within 90 days from date of issuance of invoices, except for certain well-established customers, where the terms are extended to 180 days. An aged analysis of trade and bills receivables at the balance sheet date is as follows:

	(Unaudited) 31 December 2005	(Audited) 30 June 2005
	HK$'000	*HK$'000*
Within 90 days	**2,063,462**	1,478,057
Between 91 to 180 days	**60,729**	251,631
Over 181 days	**185,626**	259,329
	2,309,817	1,989,017

11. Trade and bills payables

An aged analysis of trade and bills payables at the balance sheet date is as follows:

	(Unaudited) 31 December 2005 *HK$'000*	(Audited) 30 June 2005 *HK$'000*
Within 90 days	**3,867,590**	2,260,812
Between 91 to 180 days	**166,970**	737,697
Over 181 days	**17,629**	20,971
	4,052,189	3,019,480

12. Bank and other borrowings

	(Unaudited) 31 December 2005 *HK$'000*	(Audited) 30 June 2005 *HK$'000*
Bank and other borrowings comprise:		
Bank loans	**1,717,698**	2,911,774
Trust receipt loans	**572,112**	157,058
	2,289,810	3,068,832
Analysed as:		
Secured	**656,879**	233,759
Unsecured	**1,632,931**	2,835,073
	2,289,810	3,068,832
The bank and other borrowings are repayable as follows:		
Within one year	**2,275,095**	3,030,160
More than one year, but not exceeding two years	**928**	15,507
More than two years, but not exceeding five years	**3,710**	12,120
Over five years	**10,077**	11,045
	2,289,810	3,068,832
Less: Amount due within one year shown under current liabilities	**(2,275,095)**	(3,030,160)
Amount due after one year	**14,715**	38,672

13. Related party and connected transactions

During the period, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK$498,300 (2005: HK$954,000) to Isystems Technology, Inc. ("Isystems"), a company of which Mr. Yang Long-san, Rowell and Mr. Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) own 19.4% and 16.8% of the issued share capital, respectively. The rentals were charged in accordance with the terms of the tenancy agreements entered into between the Group and Isystems.

The directors, including the independent non-executive directors, have reviewed the above transactions and confirmed that they were carried out in the ordinary course of business and are on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned. The value of the aggregate rentals does not exceed the thresholds under Rule 14A.34 of the revised Listing Rules which came into effect on 31 March 2004.

14. Contingent liabilities

	(Unaudited) 31 December 2005 *HK$'000*	(Audited) 30 June 2005 *HK$'000*
Bills of exchange discounted with recourse	–	19,274

On 19 January 2005, a third party company commenced legal action in the United States of America against the Company and two of its subsidiaries. This action claims damages related to alleged infringement of certain patents in respect of display technology. The Group is vigorously defending itself in the complaint and negotiations are still ongoing. In the opinion of the directors, the outcome of the litigation cannot be estimated with certainty at this stage.

15. Capital Commitments

At 31 December 2005, the Group had outstanding capital commitments as follows:

	(Unaudited) 31 December 2005 *HK$'000*	(Audited) 30 June 2005 *HK$'000*
Capital commitments contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	–	10,455

16. Comparative figures

Certain comparative figures have been reclassified and restated to comply with the new and revised HKFRSs' requirements and conform with current period's presentation.