

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Directors are responsible for the preparation of the Group's condensed interim financial statements. These condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 or revalued amounts, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKAS ("HKAS (Amendments)") and interpretations ("HK(IFRIC) – INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006, 1 June 2006 respectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have no material impact on the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) *Financial guarantee contracts* which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

A financial guarantee contract is granted to the Group by the shareholders

Prior to 1 January 2006, financial guarantee contracts were not within the scope of HKAS 39 and those financial guarantee contracts granted by the Company's shareholder to the Group's lenders were not recognised but disclosed as related party transactions.

Upon application of these amendments, a financial guarantee contract granted by a shareholder of the Company and not designated as at fair value through profit or loss is recognised initially at its fair value and accounted for as a transaction cost that is directly attributable to the relevant bank borrowing. As the fair value of the financial guarantee contracts is insignificant, this change in accounting policy has had no material effect on the Group's results for the current and/or prior accounting period.

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ³
HK(IFRIC)-INT 11	HKFRS2 – Group and Treasury Share Transactions ⁴
HK(IFRIC)-INT 12	Service Concession Arrangements ⁵

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

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 November 2006

⁴ Effective for annual periods beginning on or after 1 March 2007

⁵ Effective for annual periods beginning on or after 1 January 2008

3. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is business 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;
- (c) the TFT-LCD televisions segment, which engages in the manufacturing, trading and distribution of TFT-LCD televisions; and
- (d) the Others segment, which engages in the manufacturing, trading and distribution of computer monitor components and non-TFT-LCD televisions.

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

(a) *Business Segments*

The following table presents revenue and results for the Group's business segments.

Six months ended 31 December 2006

	CRT computer monitors HK\$'000 (Unaudited)	LCD monitors HK\$'000 (Unaudited)	TFT-LCD televisions HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE						
Sales to external customers	975,988	5,536,001	1,842,677	156,248	-	8,510,914
Inter-segment sales*	-	-	-	121,469	(121,469)	-
	<u>975,988</u>	<u>5,536,001</u>	<u>1,842,677</u>	<u>277,717</u>	<u>(121,469)</u>	<u>8,510,914</u>
RESULTS						
Segment results	<u>14,249</u>	<u>131,203</u>	<u>40,170</u>	<u>1,594</u>	<u>-</u>	<u>187,216</u>
Unallocated corporate income						11,418
Unallocated corporate expenses						(805)
Share of results of associates	-	-	-	(285)	-	(285)
Share of results of a jointly controlled entity	-	-	-	113	-	113
Finance costs						(69,019)
Profit before taxation						<u>128,638</u>
Income tax expense						<u>(17,485)</u>
Profit for the period						<u>111,153</u>

Six months ended 31 December 2005

REVENUE						
Sales to external customers	1,794,240	5,748,492	587,606	276,257	-	8,406,595
Inter-segment sales*	-	-	-	199,006	(199,006)	-
	<u>1,794,240</u>	<u>5,748,492</u>	<u>587,606</u>	<u>475,263</u>	<u>(199,006)</u>	<u>8,406,595</u>
RESULTS						
Segment results	<u>26,286</u>	<u>138,516</u>	<u>12,993</u>	<u>3,963</u>	<u>-</u>	<u>181,758</u>
Unallocated corporate income						8,320
Unallocated corporate expenses						(580)
Share of results of associates	-	-	-	1,728	-	1,728
Share of results of a jointly controlled entity	-	-	-	-	-	-
Finance costs						(60,445)
Profit before taxation						<u>130,781</u>
Income tax expense						<u>(9,310)</u>
Profit for the period						<u>121,471</u>

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

(b) *Geographical Segments*

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

Sales revenue by geographical market	
	31 December 2006
	31 December 2005
	HK\$'000
	(Unaudited)
	HK\$'000
	(Unaudited)
North America	2,424,461
Western Europe (note i)	1,498,883
Asia (note ii)	3,869,036
Others	718,534
	8,510,914
	8,406,595

Notes:

- (i) Western Europe mainly includes Belgium, the United Kingdom, the Netherlands, Germany and France.
- (ii) Asia mainly includes Taiwan and the People Republic of China (the "PRC").

4. INCOME TAX EXPENSE

Six months ended	
	31 December 2006
	31 December 2005
	HK\$'000
	(Unaudited)
	HK\$'000
	(Unaudited)
Current Tax	
Hong Kong	64
Other jurisdictions	17,421
Income Tax expense	17,485
	9,310

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and, followed by a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. Accordingly, provision for the PRC enterprise income tax has been made after taking into account of these tax incentives during the period.

The domestic income tax rate applicable in Brazil is 40%. The Company's subsidiary operating in Brazil is eligible for a 75%, 50% and 25% relief from income tax for the period from November 1999 to 31 December 2004, for the five years ending 31 December 2009 and for the five years ending 31 December 2014, respectively.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	Six months ended	
	31 December 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Unaudited)
Amortisation of prepaid lease payments	710	304
Amortisation of intangible assets	2,900	–
Depreciation and amortisation of property, plant and equipment	65,500	53,773
Cost of inventories recognised as an expense	7,846,130	7,752,815
Net gain on disposal of property, plant and equipment	(1,162)	(1,585)
Interest income	(5,547)	(5,168)

6. DIVIDEND

On 13 December 2006, a dividend of HK2.5 cents per share (2005: nil) was paid to shareholders as the final dividend for the year ended 30 June 2006.

The directors have declared that an interim dividend of HK2.5 cents per share (2005: HK2.5 cents per share) for six months ended 31 December 2006. The interim dividend will be payable on or about 25 May 2007 to the shareholders of the Company whose names appear in the Register of Members on 26 April 2007.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	31 December 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share	102,815	107,231
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	646,818,992	645,464,129
Effect of dilutive potential ordinary shares – share options (note)	1,189,790	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	648,008,782	645,464,129

Note: The computation of diluted earnings per share does not assume the exercise of the Group's certain outstanding share options as the exercise prices of those options are higher than the average market price for the six months ended 31 December 2006.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$139,000,000 (six months ended 31 December 2005: HK\$46,000,000) on acquisition of plant and equipment. Certain moulds and machineries and first legal charge over certain leasehold land and buildings of the Group with carrying amounts of approximately HK\$19,693,000 (30 June 2006: HK\$21,364,000) and HK\$138,287,000 (30 June 2006: HK\$139,684,000) respectively were pledged to banks as security for the credit facilities granted to the Group.

At 31 December 2006, the directors considered the carrying amount of the Group's land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTANGIBLE ASSETS

Intangible assets represented trademarks registered in the PRC and solely and beneficially owned by the Group. During the period, the Group incurred amortisation of intangible assets of approximately HK\$2,900,000 (six months ended 31 December 2005: Nil). The intangible assets are amortised on a straight-line basis over the useful lives of 10 years.

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:

	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
Within 90 days	1,982,432	1,708,396
Between 91 to 180 days	29,248	11,141
Over 181 days	68,087	162,034
	2,079,767	1,881,571

11. TRADE AND BILLS PAYABLES

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

	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
Within 90 days	3,285,460	2,731,191
Between 91 to 180 days	298,499	906,609
Over 181 days	70,077	120,649
	3,654,036	3,758,449

12. BANK BORROWINGS

During the period, the Group obtained new loans in an amount of approximately HK\$1,292,259,000 (six months ended 31 December 2005: HK\$1,365,516,000). The loans bear interest at market rates from 3.5% to 11% and are repayable by instalments over a period of one to ten years. The proceeds were used to finance the acquisition of plant and equipment and for general working capital purpose of the Group.

13. SHARE CAPITAL

Share

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At 1 July 2006 and 31 December 2006	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 2006 and 31 December 2006	646,818,992	64,681

Share Options

Details of the Company's share option schemes are set out in the section headed "SHARE OPTIONS" of the interim report.

14. CONTINGENT LIABILITIES

Since the last annual reporting date, the Group has been involved in patent litigation which a third party company (the "Plaintiff") filed complaint in the United States of America against the Company and two of its subsidiaries. The complaint claimed for damages related to alleged infringement of patent in respect of display technology. Up to the report date, the Plaintiff has not yet identified the amount of damages sought. The Group is vigorously defending itself in the complaint and the legal proceedings 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

Capital commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment

**31 December
2006
HK\$'000
(Unaudited)**

30 June
2006
HK\$'000
(Audited)

4,677

19,582

16. RELATED PARTY DISCLOSURE

(a) *Related party transactions*

During the period, the Group purchased components and parts of approximately HK\$4,662,000 (six months ended 31 December 2005: Nil) from MAG Digital Limited, a wholly-owned subsidiary of MAG Vision Digital Limited, which is a jointly controlled entity of the Group. The transactions are based on cost plus a percentage of profit mark-up.

In addition, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK\$498,000 (six months ended 31 December 2005: HK\$498,300) to Isystems Technology, Inc. ("Isystems"), a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) have interest of 19.4% and 16.8% respectively in its issued capital. The rentals were charged in accordance with the terms of the tenancy agreement entered into between the Group and Isystems.

(b) *Bank facilities*

Certain of the Group's bank facilities as at the balance sheet date were also secured by the personal guarantees from a director of the Company and a director of a subsidiary of the Company. No financial guarantee was recognized as the fair value of the financial guarantee contracts is insignificant.

The directors have reviewed and confirmed that the connected transactions during the year were conducted in the ordinary and usual course of business of the Group and are on normal commercial terms and fair and reasonable.

17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 26 March 2007.