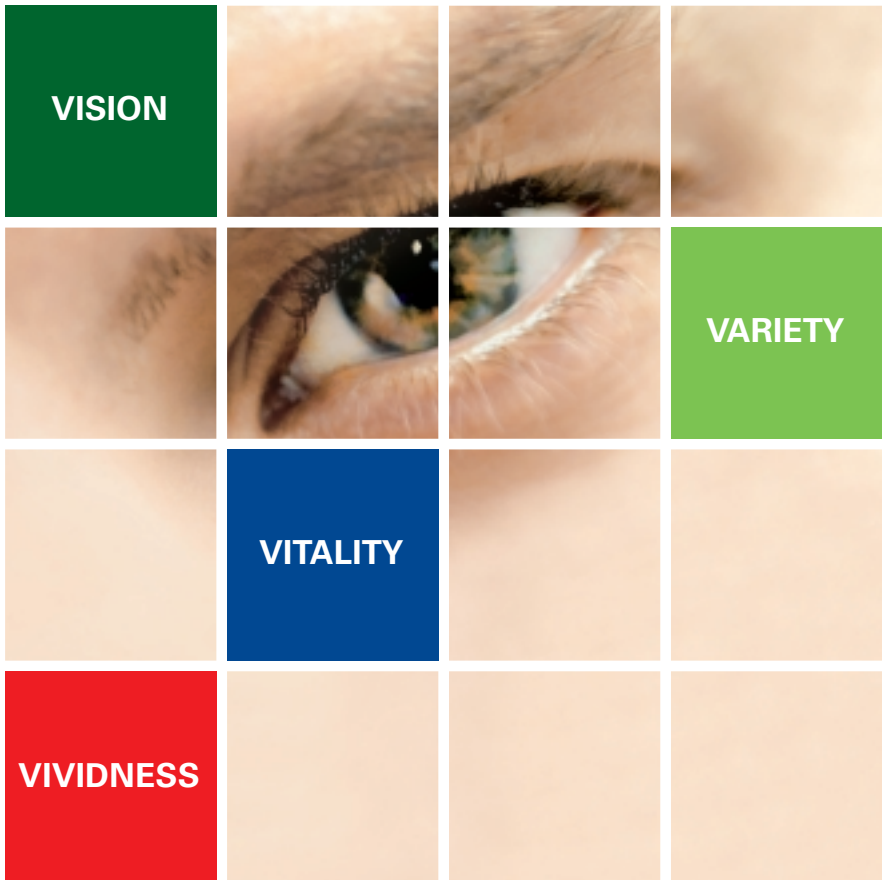




We Make **Values** Visible



CHAIRMEN'S STATEMENT

Interim Results

- For the six months ended 30 June 2006, the Group recorded turnover amounting to HK\$840 million, representing a decrease of 18% compared with HK\$1,023 million in the corresponding period of last year.
- During the period under review, profit attributable to equity shareholders was HK\$90 million, representing an 8% decrease compared with HK\$98 million in the first half of last year.
- Interim dividend per share: 9 HK cents (2005 interim: 10 HK cents).

Business Review

Europe

The Group maintained strong performance in the European market, as several automotive and industrial projects started mass production in the period under review. The product design cycle of customers in this region is relatively longer, with more stringent quality requirements. With a rigorous design and operation process, we are able to bring projects into fruition in a timely and efficient manner. The Group's wide range of products has won continued support from a solid customer base in Europe.

North America

Turnover for this region increased due to strong demand for displays used in industrial and consumer electronic products. Several projects are expected to go into the mass production stage in the second half of the year.

In addition, the Group has begun selling to white goods manufacturers, with a view to capitalising on the promising prospects of LCD applications in white goods. Further expansion plans include broadening the scope of display applications for purposes other than household use. To expand further to the east coast and mid-west region of the US, the Group has strengthened its distribution infrastructure and sales force.

Asia (including the PRC and Hong Kong)

In the past, the Group's business in China was mainly related to the mobile handset sector, with customers for the most part being the designers and manufacturers of "major brand" handsets. During the past two years, the market share of "major brand" manufacturers has steadily been eroded by "non-major brand" manufacturers, which in turn adversely affected the Group's business.

In the fourth quarter of 2005, the Group decided to change its marketing strategy by taking steps to expand into the “non-major brand” market as well. During the transition period, the Group had to devote substantial resources, including offering competitive prices and superior customer service, to a new customer base, which led to a decline in turnover and profit contribution. The Group has established relationships with several “non-major brand” customers, and we believe that business activity in the second half of 2006 will begin to improve. We remain confident about the business prospects in China’s mobile handset sector and will continue to cater to a more diversified customer base.

In addition, the Group is determined to enhance its presence in the PRC market by expanding its product application spectrum and sales network. The Group has established branch offices in Shenzhen and Shanghai, and will expand its product offering to industrial and automotive applications.

Meanwhile, the Group has initiated several new projects in the Hong Kong market, and is confident of winning further orders in this high-volume market dominated by consumer electronic products.

During the period under review, the Group’s business performance in other parts of Asia, particularly Korea, was less than satisfactory. As US-based consumer brands increased their dominance in the portable entertainment device market, the Group’s turnover generated from this market segment declined significantly from the past year.

Nevertheless, the Group successfully opened new market sectors in Asia and won new customers for a wider portfolio of product offerings, including automotive and industrial applications. The progress of these projects is expected to be reflected in the second half of this year.

Prospects

The LCD market continues to grow in both unit volume and value, and its application spectrum is ever-expanding. Based on market trends, and on our own capability and strengths, we have defined several approaches as our developmental blueprint going forward:

Diversified Customer base in the PRC Mobile Handset Market

The Group has managed to change its strategy to capture “non-major brand” customers, in addition to the existing base of “major brand” customers. So far, the progress of the expansion into the “non-major brand mobile” segment has been satisfactory. It is expected that positive results will become more apparent in the second half of this year.

Displays Go Colour

The display market is going colour, and the application of Colour STN (Colour Supertwisted Nematic) and TFT (Thin-Film Transistor) technologies will become more prevalent. Customers around the world are applying colour displays to an increasingly wide range of products. The Group is committed to strengthening its design and production capability for Colour STN and TFT displays, in order to enhance its competitiveness in the colour display sector.

Evolution of the Home Appliance Display

Home electrical appliance manufacturers in Europe and the US are increasingly using displays on their products. This development trend is favourable for the Group's business, and our sales network has been strengthening our ties with home appliance manufacturers. With the Group's sales network and experience in the European and US markets, we are well-positioned to capture opportunities in this sector.

Thriving Automotive Market

The Group has secured a strong position in the European automotive sector, and we aim to transfer this successful experience to other regions, including the US, Japan, Korea and China.

Many foreign automotive manufacturers have set up production plants in the PRC to participate in this huge consumer market and utilise low-cost labour for production. Capitalising on this trend, the Group has opened a new sales office in Shanghai to provide more responsive service to both foreign and local automotive manufacturers.

In addition to using LCD displays on the dashboard, the installation of audio and video products in automobiles has become popular. The Group has recently received many enquiries about installing small to medium-sized colour displays in automobiles for entertainment purposes. This trend provides the Group with exciting growth potential.

The Development of Bistable Display

The Bistable Cholesteric Display (BCD) and Zenith Bistable Display (ZBD) technologies have entered a critical stage of commercialisation and mass production. From the second quarter of 2006, these technologies have attracted proposals for feasibility studies involving a variety of applications. Mass production for these technologies is expected to commence in the second half of the year.

Acknowledgement

We thank our shareholders for their continuous support. With strong commitment from our staff, we believe we are well placed to expand our business across different markets and product offerings.

Chang Chu Cheng
Chairman

Ko Chun Shun, Johnson
Chairman

Hong Kong, 1 September 2006

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006 – unaudited

	Note	Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Turnover	2	839,520	1,022,664
Other revenue		24,792	11,039
Other net income		8,278	9,475
Changes in inventories of finished goods and work in progress		36,120	(11,777)
Raw material and consumables used		(546,632)	(670,272)
Staff costs		(110,590)	(112,756)
Depreciation		(39,131)	(41,365)
Other operating expenses		(109,216)	(118,596)
Profit from operations		103,141	88,412
Finance costs	3(a)	(1,780)	(3,385)
Profit before taxation	3	101,361	85,027
Income tax	4	(10,648)	(10,759)
Profit after taxation		90,713	74,268
Attributable to:			
Minority interests		521	(23,788)
Equity shareholders of the Company		90,192	98,056
		90,713	74,268
Interim dividend		29,107	31,920
Earnings per share	5		
Basic		27.97 cents	30.99 cents
Diluted		27.93 cents	30.75 cents

The notes on pages 10 to 16 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2006 – unaudited

	Note	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Non-current assets			
Fixed assets			
– Investment properties		10,389	10,612
– Other property, plant and equipment		323,382	339,402
– Interest in leasehold land held for own use		19,390	19,633
		353,161	369,647
Other financial assets	6	137,430	185,325
Deferred tax assets		7,740	8,725
		498,331	563,697
Current assets			
Trading securities	6	198,805	193,265
Inventories		279,490	233,637
Trade and other receivables	7	479,735	411,426
Current taxation recoverable		850	2,483
Cash and cash equivalents	8	379,060	415,845
		1,337,940	1,256,656
Current liabilities			
Bank loans and overdrafts		79,034	98,549
Trade and other payables	9	358,089	337,225
Current taxation payable		13,821	23,376
Dividends payable		90,290	–
Dividends payable to minority shareholder		–	6,784
		541,234	465,934
Net current assets			
		796,706	790,722
Total assets less current liabilities			
		1,295,037	1,354,419
Non-current liabilities			
Convertible notes		–	30,109
Deferred tax liabilities		272	1,373
		272	31,482
NET ASSETS			
		1,294,765	1,322,937

CONSOLIDATED BALANCE SHEET *(continued)**At 30 June 2006 – unaudited*

		At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
CAPITAL AND RESERVES			
Share capital	10	80,617	80,614
Reserves	10	1,193,765	1,208,531
Total equity attributable to equity shareholders of the Company		1,274,382	1,289,145
Minority interests		20,383	33,792
TOTAL EQUITY		1,294,765	1,322,937

The notes on pages 10 to 16 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006 – unaudited

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Total equity at 1 January		
Before opening balance adjustment	1,322,937	1,606,938
Opening adjustment arising from adoption of HKAS 39	–	1,281
At 1 January, after opening balance adjustment	1,322,937	1,608,219
Net income for the period recognised directly in equity:		
Changes in fair value of available-for-sale securities	(1,494)	(405)
Exchange differences on translation of financial statements of overseas subsidiaries	7,450	(4,935)
Net income and expense for the period recognised directly in equity	5,956	(5,340)
Transfer to profit or loss on disposal of available-for-sale securities	(235)	–
Net profit for the period	90,713	74,268
Total recognised income for the period (note)	96,434	68,928
Movements in equity arising from capital transactions		
Shares issued	3	55
Share premium arising from issue of shares	31	1,041
Capital contribution by minority interests	4,973	2,820
Minority interests acquired by the Company	(19,137)	–
Premium on acquisition of minority interests	(20,186)	–
	(34,316)	3,916
Dividends approved in respect of the previous year	(90,290)	(88,607)
Total equity at 30 June	1,294,765	1,592,456
Note: Total recognised income for the period		
<i>Attributable to:</i>		
Equity shareholders of the Company	95,679	93,013
Minority interests	755	(24,085)
	96,434	68,928

The notes on pages 10 to 16 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006 - unaudited

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Net cash from operating activities	16,345	131,049
Net cash used in investing activities	(6,480)	(204,792)
Net cash (used in)/from financing activities	(49,592)	59,833
Net decrease in cash and cash equivalents	(39,727)	(13,910)
Effect of foreign exchange rates changes	2,942	(2,191)
Cash and cash equivalents at 1 January	415,845	669,394
Cash and cash equivalents at 30 June	379,060	653,293
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	165,367	170,404
Deposits with banks and other financial institutions	213,693	482,889
	379,060	653,293

The notes on pages 10 to 16 form part of this interim financial report.

Notes:-

1. Basis of preparation

This unaudited interim report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The same accounting policies and basis of preparation adopted in the Group's 2005 audited annual financial statements have been applied to the 2006 interim report.

2. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As all of the Group's turnover and profits were derived from the design, manufacture and sale of liquid crystal displays and related products, accordingly no separate business segment analysis is presented for the Group. In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Segment assets		Capital expenditure incurred for	
	at 30 June 2006 HK\$'000	at 31 December 2005 HK\$'000	the period ended 30 June 2006 HK\$'000	the year ended 31 December 2005 HK\$'000
Europe	131,842	114,469	505	1,950
Hong Kong and PRC	1,442,950	1,396,500	27,907	112,344
North America	88,086	100,496	23	18
Rest of Asia	164,803	197,680	4	850

The analysis of the geographical locations of the turnover of the Group during the financial period is as follows:

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Asia (Note)	425,250	629,379
Europe	347,283	325,248
North America	50,042	41,089
Others	16,945	26,948
	839,520	1,022,664

Note: Sales to Asia for the 6 months ended 30 June 2006 included sales to Hong Kong and PRC for the same period amounting to HK\$313,586,000 (2005: HK\$422,610,000).

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	1,780	2,449
Interest on convertible notes	-	936
	1,780	3,385
(b) Other items:		
Cost of inventories	613,582	736,707
Amortisation of intangible assets	-	811
Profit on disposal of property	3,798	-
Transfer from equity on disposal of available-for-sale securities	(235)	-
Impairment loss on available-for-sale securities	8,210	-
Gain on disposal of trading securities	(408)	(7,534)
(Gain)/loss on revaluation of trading securities	(5,258)	2,099
Investment income	(8,518)	(2,547)
Other interest income	(4,796)	(6,646)
Rental income under operating leases	(183)	(183)
Gain on early repayment of convertible notes	(3,740)	-
Other income	(7,555)	(1,663)

4. Income tax

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Current tax		
Hong Kong taxation	5,977	7,176
Overseas taxation	4,787	4,381
	10,764	11,557
Deferred tax		
Reversal of temporary differences	(116)	(798)
	10,648	10,759

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 June 2006. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

As disclosed in the Group's audited financial statements for the year ended 31 December 2005, a subsidiary has received from the Hong Kong Inland Revenue Department ("IRD") additional assessments relating to the years of assessment 1994/95 to 2004/05 for taxation totalling HK\$163 million. These additional assessments relate to a dispute over the deductibility of certain sub-contracting charges for tax assessment purposes. The subsidiary has formally objected to the additional assessments. Up to and including 31 December 2005, the subsidiary has purchased Tax Reserve Certificates totalling HK\$54 million and made additional provisions to bring the total amount recognised in relation to the potential liability to HK\$89 million.

After lengthy negotiations, meetings and discussions with the IRD, the subsidiary has reached an agreement with the IRD for settlement of the objection for the years of assessment 1994/95 to 2003/04. Based on the outcome, the Directors considered that the provision brought forward from last year was sufficient and therefore no further provision has been made during the period under review.

5. Earnings per share

- (a) The calculation of basic earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$90,192,000 (2005: HK\$98,056,000) and the weighted average number of 322,462,821 shares (2005: 316,369,113 shares) in issue during the period.

- (b) The calculation of diluted earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$90,192,000 (2005: HK\$98,056,000) and the weighted average number of 322,875,134 shares (2005: 318,872,140 shares) after adjusting for the effects of all dilutive potential shares.

	Six months ended 30 June	
	2006 Number of shares	2005 Number of shares
Weighted average number of shares for the purpose of basic earnings per share	322,462,821	316,369,113
Deemed issue of shares for no consideration arising from share options	412,313	2,503,027
Weighted average number of shares for the purpose of diluted earnings per share	322,875,134	318,872,140

6. Other financial assets and trading securities

At 30 June 2006, an amount of HK\$88,059,000 (at 31 December 2005: HK\$90,049,000) was invested into listed companies in respect of which a director and major shareholder of the Company is also a director and major shareholder of these invested companies. At 30 June 2006, the carrying amount of these listed investments amounted to HK\$92,641,000 (at 31 December 2005: HK\$75,127,000).

7. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Within 60 days of the invoice issue date	349,773	320,436
61 to 90 days after the invoice issue date	38,564	33,888
91 to 120 days after the invoice issue date	21,595	7,350
More than 120 days but within 12 months after the invoice issue date	17,888	20,143
More than 12 months after the invoice issue date	–	2,506
	427,820	384,323

Debts are due within 90 days from the date of the invoice.

8. Cash and cash equivalents

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Deposits with banks and other financial institutions	213,693	263,279
Cash at bank and in hand	165,367	152,566
Cash and cash equivalents in the balance sheet and the cash flow statement	379,060	415,845

9. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Within 60 days of supplier invoice date	192,663	200,217
61 to 120 days after supplier invoice date	36,127	32,178
More than 120 days but within 12 months after supplier invoice date	3,936	9,059
	232,726	241,454

10. Capital and reserves

(a) Capital and reserves

	Total attributable to equity shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Fair value	Capital reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
				revaluation reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2006	80,614	690,820	(5,358)	(11,568)	13,334	1,982	519,321	1,289,145	33,792	1,322,937
Final dividend approved in respect of previous year	-	-	-	-	-	-	(90,290)	(90,290)	-	(90,290)
Shares issued under share option scheme	3	31	-	-	-	-	-	34	-	34
Exchange differences	-	-	7,216	-	-	-	-	7,216	234	7,450
Revaluation deficit	-	-	-	(1,494)	-	-	-	(1,494)	-	(1,494)
Revaluation surplus transferred to the income statement on disposal of securities	-	-	-	(235)	-	-	-	(235)	-	(235)
Capital contribution by minority interest shareholder	-	-	-	-	-	-	-	-	4,973	4,973
Acquisition of minority interests	-	-	-	-	-	(20,186)	-	(20,186)	(19,137)	(39,323)
Profit for the period	-	-	-	-	-	-	90,192	90,192	521	90,713
At 30 June 2006	80,617	690,851	1,858	(13,297)	13,334	(18,204)	519,223	1,274,382	20,383	1,294,765

(b) Dividends

After the balance sheet date, the following dividends were proposed by the Board. The dividends have not been recognised as a liability at the balance sheet date.

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Dividends not provided for	29,107	90,290

11. Capital commitments

Capital commitments representing purchase of plant and equipment not provided for in the Group's financial statements were as follows:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Contracted for	2,573	1,989

12. Contingent liabilities

At 30 June 2006, the Company had contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK\$79,034,000 (at 31 December 2005: HK\$99,992,000).

13. Material related party transactions

Material related party transactions during the period were as follows:

- (a) Pursuant to a supplemental note entered into by the issuer, being an indirect wholly-owned subsidiary of the Company and the holders of the convertible notes ("Noteholders") on 25 January 2006, the convertible notes were redeemed at 85% of their face value (HK\$26,520,000) on 27 January 2006. One of the Noteholders is the brother-in-law of an Executive Director of the Company. The other Noteholder is a director of an indirect wholly-owned subsidiary of the Company. The Noteholders are therefore connected persons of the Company under the Listing Rules.
- (b) On 8 November 2005, Varitronix Marketing (China) Limited ("Varitronix Marketing"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Tsinghua Holdings Corporation Limited ("Tsinghua Holdings"). Pursuant to the agreement, Varitronix Marketing conditionally agreed to acquire and Tsinghua Holdings conditionally agreed to sell its 49% equity interest in Varitronix Pengyuan Limited ("Varitronix Pengyuan"), a sino-foreign equity joint venture enterprise which was owned as to 51% by Varitronix Marketing and as to 49% by Tsinghua Holdings, at a total consideration of RMB40 million (equivalent approximately to HK\$38.5 million). Tsinghua Holdings is a connected person of the Company under the Listing Rules. The transaction was completed during the period. The premium on the acquisition of minority interests of Varitronix Pengyuan amounted to HK\$20,186,000 which has been recognized directly in shareholders' equity. The details of the transaction were set out in a circular of the Company dated 1 December 2005.
- (c) Remuneration for key management personnel during the period amounted to HK\$7,447,000 (2005: HK\$8,503,000).

INTERIM DIVIDEND

The directors of the Company (“the Directors”) declared an interim dividend of 9 cents per share (2005: 10 cents) for the six months ended 30 June 2006 to shareholders whose names appear on the register of members of the Company on Friday, 13 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 9 October 2006 to Friday, 13 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Friday, 6 October 2006.

STAFF

At the end of June 2006, the Group employed approximately 4,450 persons around the world, of whom approximately 254 were in Hong Kong, 3,879 in PRC and 317 overseas.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. At 30 June 2006, the Group had a total shareholders’ equity amounting to approximately HK\$1.3 billion and a liquid portfolio of HK\$715 million (31/12/2005: HK\$794 million) of which HK\$379 million (31/12/2005: HK\$416 million) was in cash and cash equivalents and HK\$336 million (31/12/2005: HK\$378 million) in securities. The Group has low bank borrowings and has little exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in HK dollars or US dollars.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2006, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO Ordinance")) as recorded in the register maintained by the Company under Section 352 of the SFO Ordinance were as follows:

(a) Interests in shares of the Company

Name of Director	Shares of HK\$0.25 each		Total	Approximate % of shareholding
	Personal interests (Note 1)	Corporate interests		
Dr. Chang Chu Cheng	22,598	6,203,716 (Note 2)	6,226,314	1.93
Mr. Johnson Ko Chun Shun	–	43,012,000 (Note 3)	43,012,000	13.34

Notes:

1. The shares are held by the director personally as beneficial owner.
2. A family trust of Dr. Chang Chu Cheng and his wife, Madam Iling Sieh was the beneficial owner of the issued share capital of Colville Group Limited which held 6,203,716 shares of the Company.
3. Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Johnson Ko Chun Shun, held 32,312,000 shares and 10,700,000 shares of the Company respectively.
4. As at 30 June 2006, the issued share capital of the Company comprised 322,466,263 shares.

(b) Interests in shares of subsidiaries

	Non-voting deferred shares of HK\$1,000 each in Varitronix Limited	Non-voting deferred shares of HK\$100 each in Polysources Properties Limited ("Polysources")
Dr. Chang Chu Cheng	960	78

Notes:

1. Dr. Chang Chu Cheng held the above non-voting deferred shares as beneficial owner.
2. Dr. Chang Chu Cheng was also interested in 4 non-voting deferred shares in Polysources which were held by a non-voting deferred shareholder of Polysources in trust for all non-voting deferred shareholders of Polysources.

(c) Interests in share options of the Company

	Date granted	Number of options at 1.1.2006	Options granted/ (exercised) during the period	Number of options at 30.6.2006	Exercisable period	Price per share to be paid on exercise of option HK\$	Market value per share at date of grant of options HK\$
<i>Director</i>							
Dr. Chang Chu Cheng	30.10.2002	1,000,000	-	1,000,000	31.10.2002– 30.10.2012	4.605	4.35
	21.12.2004	300,000	-	300,000	21.12.2004– 20.12.2014	7.45	7.45
	19.12.2005	3,000,000	-	3,000,000	19.12.2005– 18.12.2015	5.73	5.65
Mr. Johnson Ko Chun Shun	19.12.2005	3,000,000	-	3,000,000	19.12.2005– 18.12.2015	5.73	5.65
Mr. Tony Tsoi Tong Hoo	22.7.2005	3,000,000	-	3,000,000	22.7.2005– 21.7.2015	6.60	6.55
Mr. Cecil Ho Te Hwai	19.12.2005	3,000,000	-	3,000,000	19.12.2005– 18.12.2015	5.73	5.65
		13,300,000	-	13,300,000			

All the interests disclosed above represent long positions in the shares of the Company or its associated corporations (within the meaning of the SFO Ordinance).

Save as mentioned above, none of the Directors, Chief Executives and their associates of the Company as at 30 June 2006 had any interests or short position in the shares or underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO Ordinance) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO Ordinance.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of interests in shares and short positions maintained under Section 336 of the SFO Ordinance shows that at 30 June 2006, other than the interests disclosed above in respect of Mr. Johnson Ko Chun Shun and Rockstead Technology Limited, the following had an interest of 5% or more in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate % of shareholding
Mr. Cheah Cheng Hye	Interest of a controlled corporation (note)	29,100,974	9.02
Value Partners Limited	Beneficial owner (note)	29,100,974	9.02

Note: Mr. Cheah Cheng Hye was deemed (by virtue of the SFO) to be interested in 29,100,974 shares in the Company. These shares were held by Value Partners limited, which was 32.77% owned by Mr. Cheah Cheng Hye.

Save as stated above, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO Ordinance as having an interest of 5% or more in the issued share capital of the Company as at 30 June 2006.

SHARE OPTION SCHEMES

Date granted	Number of options at 1.1.2006	Options cancelled during the period	Options exercised during the period	Number of options at 30.6.2006	Exercisable period	Price per share to be paid on exercise of option HK\$	Market value per share at date of grant of options HK\$
<i>Directors</i>							
30.10.2002	1,000,000	-	-	1,000,000	31.10.2002– 30.10.2012	4.605	4.35
21.12.2004	300,000	-	-	300,000	21.12.2004– 20.12.2014	7.45	7.45
22.7.2005	3,000,000	-	-	3,000,000	22.7.2005– 21.7.2015	6.60	6.55
19.12.2005	9,000,000	-	-	9,000,000	19.12.2005– 18.12.2015	5.73	5.65
<i>Employees</i>							
9.6.1999	357,750	(141,000)	-	216,750	9.7.1999– 8.7.2009	10.90	15.00
1.6.2000	569,000	(110,000)	-	459,000	1.7.2000– 30.6.2010	11.30	13.40
30.8.2001	140,000	(4,000)	(11,000)	125,000	30.8.2001– 29.8.2011	3.06	3.68
13.9.2002	153,500	(9,000)	-	144,500	13.9.2002– 12.9.2012	3.905	3.85
30.10.2002	1,000,000	(1,000,000)	-	-	31.10.2002– 30.10.2012	4.605	4.35
6.10.2003	301,500	(26,500)	-	275,000	6.10.2003– 5.10.2013	7.35	7.35
20.12.2004	2,428,500	(82,000)	-	2,346,500	20.12.2004– 19.12.2014	7.50	7.50
21.12.2004	3,000,000	(3,000,000)	-	-	21.12.2004– 20.12.2014	7.45	7.45
	21,250,250	(4,372,500)	(11,000)	16,866,750			

Notes:

1. No share option was granted and lapsed during the period.
2. The total number of shares available for issue under the Share Option Schemes at 30 June 2006 represents 5.23% of the issued share capital of the Company at that date.
3. The consideration paid by each employee for the options granted was HK\$1.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$5.60.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2006, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2006 of the Company now reported on.

REMUNERATION COMMITTEE

The Remuneration Committee is headed by Dr. William Lo Wing Yan, an Independent Non-executive Director. The other members of the Remuneration Committee are Mr. Hou Ziqiang, an Independent Non-executive Director, and Mr. Johnson Ko Chun Shun, an Executive Director.

STAFF RETIREMENT SCHEMES

Information regarding the staff retirement schemes of the Group, which had not been provided in the Company's annual report for the year ended 31 December 2005, is as follows:

The Group operates an MPF Scheme which was compulsory as enforced by The Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administrated by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant income (the "Relevant Income") of the employee to the MPF Scheme. Contributions from employer are 100% vested in the employees accounts as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions. The vesting for retirement scheme will remain unchanged.

In addition, the Group also operates a defined contribution retirement scheme, whose assets are separate from the Group. The scheme is formally established under trust and is approved by the Inland Revenue Department under Section 87A of the Inland Revenue Ordinance. This scheme is a Top-Up ORSO scheme and both the employer and the employee are required to contribute 5% of the excess of the employee's Relevant Income to the scheme.

The total retirement scheme cost charged to the Consolidated Income Statement for the year ended 31 December 2005 was HK\$6,452,000 (2004: HK\$6,993,000). Charges to administer the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the year ended 31 December 2005 was HK\$665,000 (2004: HK\$201,000) and at 31 December 2005, the balance available to reduce the level of contributions in future amounted to HK\$643,000 (2004: HK\$106,000).

Varitronix (Malaysia) Sdn. Bhd. operates a staff provident fund scheme under the Employees Provident Fund Act 1951. The employer and employee are required to contribute a certain percentage of the employee's basic monthly salary according to the Act. The total employer's contributions charged to the Consolidated Income Statement for the year was HK\$1,437,000 (2004: HK\$1,734,000).

DIRECTORS

As at the date of this report, the Board comprises seven directors, of which Dr. Chang Chu Cheng, Mr. Johnson Ko Chun Shun, Mr. Tony Tsoi Tong Hoo, and Mr. Cecil Ho Te Hwai are executive Directors and Dr. William Lo Wing Yan, Mr. Yuen Kin and Mr. Hou Ziqiang are independent non-executive Directors.