Notes to the Accounts

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002 and are applicable to the Group:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of SSAP 1 (revised) and SSAP 15 (revised) has no change to the accounting policies but it only affects the presentation and disclosures in these accounts.

The accounting policies set out below have incorporated the effect of adopting the other new or revised standards.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill or negative goodwill or goodwill/negative goodwill or exchange difference taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 Principal accounting policies (Continued)

(c) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity under a contractual arrangement whereby the Group and other parties undertake that the economic activity of the jointly controlled entity is subject to joint control and none of the participating parties has unilateral control over its economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortization) on acquisition.

(d) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortization) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/jointly controlled entity/associated company, is recognized as an asset and amortized using the straight-line method over its estimated useful economic life of not more than 15 years.

(ii) Trademarks

Trademarks acquired from third parties are stated at cost less accumulated amortization and accumulated impairment losses. Trademarks are amortized on a straight-line basis over their estimated useful lives of not more than 15 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

1 Principal accounting policies (Continued)

(f) Property, plant and equipment

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land use rights outside Hong Kong are amortized on a straight-line basis over the remaining period of the lease. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives, after taking into account their estimated residual values, on a straight-line basis. The principal estimated useful lives are as follows:

Buildings	20 years
Leasehold improvements	20 years
Machinery and equipment	5 to 10 years
Moulds	2 years
Electrical appliances and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	1 to 5 years

Major costs incurred in restoring the fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

(g) Construction-in-progress

Construction-in-progress is property and plant under construction. The amount is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the construction.

(h) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

1 Principal accounting policies (Continued)

(i) Other investments

Other investments are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognized as an expense in the profit and loss account. This impairment loss is written back to profit and loss when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist in the foreseeable future.

(j) Inventories

Inventories comprise finished goods, work-in-progress, raw materials and production supplies and are stated at the lower of cost and net realizable value. Cost, calculated using the weighted average method, comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(n) Translation of foreign currencies

Transactions in foreign currencies are translated into United States dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

1 Principal accounting policies (Continued)

(n) Translation of foreign currencies (Continued)

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate for the year. Exchange differences arising in these cases are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary/associated company, the cumulative related exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

(o) Warranty provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made.

Provision for warranty costs is made based on management's estimates of the repair costs per unit of product manufactured in the relevant years and is calculated based on past history of the level of repairs and replacements. Actual warranty expenditure is charged against the provision as incurred.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognized as a provision.

(q) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognized on a straight-line basis.

Technical support service fee is recognized based on the units of products exported by the counter-party during the relevant periods.

Export incentives are recognized when they are received.

1 Principal accounting policies (Continued)

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The subsidiaries of the Group in the PRC, Hong Kong and Germany participate in relevant defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made to these schemes based on a certain percentage of the applicable payroll costs. The contributions are expensed as incurred.

The Group's subsidiary in Taiwan participates in a defined benefit pension plan in accordance with the local statutory regulations. Pension costs are assessed using the projected unit credit method. The pension obligation is measured as the present value of the estimated future cash outflows using discount rate based on the rate of return on high-quality fixed-income investments in Taiwan which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognized over the average remaining service lives of employees. Past service costs are recognized as expenses on a straight-line basis over the average period until the benefits become vested. The contributions are charged to the profit and loss account in the period to which the contributions relate.

(s) Research and development costs

Research costs are expensed as incurred.

Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purposes are expensed as incurred as the directors consider that the related economic benefits generated have very limited useful lives.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 Principal accounting policies (Continued)

(u) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories and receivables, and mainly exclude intangible assets, other investments, pledged bank deposits and bank balances and cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets and intangible assets.

In respect of geographical segment reporting, sales are based on the region in which the final destination of shipment is located. Total assets and capital expenditure are where the assets are located.

2 Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of computer monitors, scanners and related products. Revenues recognized during the year are as follows:

	2002	2001
	US$'000	US$'000
Turnover		
Sales of goods to third parties and related companies	1,506,236	1,246,040
Other revenues		
Interest income	1,274	1,755
Rental income	160	224
Export incentives received (Note (a))	3,681	1,055
Technical support service fee (Note (b))	2,884	1,984
Miscellaneous income	2,511	1,386
	10,510	6,404
Total revenues	1,516,746	1,252,444

Notes:

(a) Export incentives received represents income on export incentives provided by the local government in Fuqing, the People's Republic of China ("PRC").

(b) Technical support service fee represents income from technical support provided to an associated company.

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments

	2002			
	CRT monitors	LCD monitors	Others (Note (a))	Total
	US$'000	US$'000	US$'000	US$'000
Turnover	838,621	625,784	41,831	1,506,236
Cost of goods sold	(753,826)	(593,250)	(40,513)	(1,387,589)
Other revenues excluding interest income and export incentives received	3,093	2,308	154	5,555
Operating expenses	(55,096)	(16,400)	(2,446)	(73,942)
Segment results	32,792	18,442	(974)	50,260
Interest income				1,274
Export incentives received				3,681
Operating profit				55,215
Finance costs				(3,322)
Share of profits less losses of - associated companies				3,878
Profit before taxation				55,771
Taxation				(4,672)
Profit attributable to shareholders				51,099
Other information:				
Capital expenditure	11,382	1,369	-	12,751
Depreciation	16,274	342	-	16,616
Amortization	420	100	-	520
Balance sheet				
Segment assets	325,734	165,682	-	491,416
Interests in associated companies				20,669
Unallocated assets				261,713
Total assets				773,798
Segment liabilities	(385,198)	(83,567)	-	(468,765)
Unallocated liabilities				(60,927)
Total liabilities				(529,692)

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	2001			
	CRT monitors	LCD monitors	Others (Note (a))	Total
	US$'000	US$'000	US$'000	US$'000
Turnover	921,964	257,847	66,229	1,246,040
Cost of goods sold	(841,052)	(244,528)	(63,895)	(1,149,475)
Other revenues excluding interest income and export incentives received	3,013	494	87	3,594
Operating expenses	(40,885)	(8,483)	(2,427)	(51,795)
Segment results	43,040	5,330	(6)	48,364
Interest income				1,755
Export incentives received				1,055
Operating profit				51,174
Finance costs				(5,672)
Share of profits less losses of				
- a jointly controlled entity				1,287
- associated companies				2,621
Profit before taxation				49,410
Taxation				(6,064)
Profit attributable to shareholders				43,346
Other information:				
Capital expenditure	14,097	2,751	-	16,848
Depreciation	15,339	259	-	15,598
Amortization	473	49	-	522
Balance sheet				
Segment assets	300,146	136,326	14,539	451,011
Interests in associated companies				17,727
Unallocated assets				93,489
Total assets				562,227
Segment liabilities	(274,597)	(49,594)	-	(324,191)
Unallocated liabilities				(79,301)
Total liabilities				(403,492)

Notes:

(a) Others include sales of chassis, spare parts, CKD/SKD and scanner.

(b) There are no sales or other transactions between the business segments.

2 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	2002			
	Turnover	Operating profit/(loss)	Total assets	Capital expenditure
	US$'000	US$'000	US$'000	US$'000
Geographical segments:				
Europe	529,520	17,731	15,999	-
North America	344,008	11,163	81,925	-
South America	15,363	(1,296)	5,931	83
Africa	7,605	208	-	-
Australia	23,633	1,348	-	-
Asia				
- PRC	414,364	20,468	480,545	11,828
- other Asian countries	171,743	5,593	168,729	840
	1,506,236	55,215	753,129	12,751
Interests in associated companies			20,669	
Total assets			773,798	

	2001			
	Turnover	Operating profit/(loss)	Total assets	Capital expenditure
	US$'000	US$'000	US$'000	US$'000
Geographical segments:				
Europe	479,162	25,190	15,803	30
North America	211,847	7,131	-	-
South America	22,449	(1,275)	10,488	20
Africa	12,489	536	-	-
Australia	14,729	1,325	-	-
Asia				
- PRC	379,672	11,583	412,607	15,765
- other Asian countries	125,692	6,684	105,602	1,033
	1,246,040	51,174	544,500	16,848
Interests in associated companies			17,727	
Total assets			562,227	

Sales are based on the region in which the final destination of shipment is located. There are no sales between the segments.

Assets and capital expenditure are based on the region in which the assets are located on the balance sheet date.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2002 US$'000	2001 US$'000
Crediting		
Net exchange gains	489	1,508
Gain on disposal of fixed assets	80	-
Gain on disposal of other investments	-	245
Provision for doubtful debts written back	114	-
Charging		
Staff costs (including directors' emoluments and retirement benefit costs) (Note 9)	29,099	24,165
Depreciation	16,616	15,598
Operating lease rental for land and buildings	259	475
Auditors' remuneration	278	172
Amortization of intangible assets	520	522
Provision for warranty	12,355	12,420
Loss on disposal of fixed assets	-	261
Provision for doubtful debts	-	3,726
Write-down of inventories to net realizable value	3,668	-

4 Finance costs

	2002 US$'000	2001 US$'000
Interest on bank loans	3,322	5,672

No borrowing costs were capitalized during the years ended 31st December 2001 and 2002.

5 Taxation

No provision has been made for Hong Kong profits tax as the Group has no profit assessable to Hong Kong profits tax for the year (2001: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

5 Taxation (Continued)

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	US$'000	US$'000
Overseas taxation		
- current year	4,806	5,923
- fiscal refund (Note (b))	(331)	(1,474)
- (over)/under provision in prior years	(32)	1,144
	4,443	5,593
Share of taxation attributable to:		
- a jointly controlled entity	-	122
- associated companies	229	349
	4,672	6,064

Notes:

(a) There was no material unprovided deferred taxation as at 31st December 2002 and 2001.

(b) The amount represents fiscal refund received from the Fuqing Municipal Finance Bureau by a subsidiary during the year.

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately US$13,153,000 (2001: US$2,173,000).

7 Dividends

	2002	2001
	US$'000	US$'000
Interim, paid, of US0.28 cent (2001: US0.26 cent) per ordinary share	3,729	3,159
Final, proposed, of US0.52 cent (2001: US0.48 cent) per ordinary share	7,013	5,834
	10,742	8,993

The directors proposed on 7th April 2003 a final dividend for the year ended 31st December 2002 of US0.52 cent per share (2001: US0.48 cent) payable in cash to shareholders. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2003.

8 Earnings per share

The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders for the year of US$51,099,000 (2001: US$43,346,000).

The basic earnings per share is based on the weighted average number of 1,281,851,905 (2001: 1,213,831,433) ordinary shares in issue during the year.

The fully diluted earnings per share is based on 1,324,006,567 (2001: 1,231,387,020) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 42,154,662 (2001: 17,555,587) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Staff costs (including directors' emoluments and retirement benefit costs)

	2002	2001
	US$'000	US$'000
Wages and salaries	27,410	23,870
Unutilized annual leave	26	-
Pension costs - defined contribution plans	170	295
Pension costs – defined benefit plan (Note 26)	1,493	-
	29,099	24,165

10 Directors' emoluments and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2002	2001
	US$'000	US$'000
Fees	158	147
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits-in-kind	849	984
	1,007	1,131

Directors' fees disclosed above include US$46,154 (2001: US$35,898) paid to independent non-executive directors.

None of the directors waived any of their emoluments during the year (2001: Nil).

10 Directors' emoluments and senior management's emoluments (Continued)

(a) *Directors' remuneration (Continued)*

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors 2002	2001
US$Nil to US$128,205	7	6
US$128,206 to US$192,308	3	2
US$192,309 to US$256,410	-	3
US$256,411 to US$320,512	-	-
US$320,513 to US$384,614	1	-
	11	11

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the year include two (2001: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable for the remaining three individuals (2001: Nil) during the year are as follows:

	2002 US$'000	2001 US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	695	Not applicable

Emolument bands	Number of individuals 2002	2001
US$128,206 to US$192,308	2	-
US$192,309 to US$256,410	-	-
US$256,411 to US$320,512	1	-
	3	-

11 Fixed assets

Group

	Land use rights outside Hong Kong	Buildings outside Hong Kong	Leasehold improve-ments	Machinery and equipment	Moulds	Electrical appliances and equipment	Transport-ation equipment	Miscell-aneous equipment	Con-struction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At cost:										
At 1st January 2002	1,222	11,362	2,356	16,741	27,015	26,473	861	2,550	120	88,700
Exchange adjustment	-	-	-	-	-	-	-	(58)	-	(58)
Additions	-	1,059	80	548	6,630	3,136	3	1,295	-	12,751
Disposals	-	-	-	(537)	(4,503)	(498)	-	(33)	-	(5,571)
At 31st December 2002	1,222	12,421	2,436	16,752	29,142	29,111	864	3,754	120	95,822
Accumulated depreciation:										
At 1st January 2002	95	3,538	702	8,418	17,150	11,894	447	1,102	-	43,346
Exchange adjustment	-	-	-	-	-	-	-	(15)	-	(15)
Charge for the year	26	473	69	1,574	8,975	4,657	84	758	-	16,616
Disposals	-	-	-	(373)	(3,999)	(435)	-	(14)	-	(4,821)
At 31st December 2002	121	4,011	771	9,619	22,126	16,116	531	1,831	-	55,126
Net book value:										
At 31st December 2002	1,101	8,410	1,665	7,133	7,016	12,995	333	1,923	120	40,696
At 31st December 2001	1,127	7,824	1,654	8,323	9,865	14,579	414	1,448	120	45,354

The land use rights outside Hong Kong are held on leases of over 50 years.

At 31st December 2002, the net book value of fixed assets that had been pledged to banks to secure banking facilities granted to the Group amounted to approximately US$33.9 million (2001: US$26.8 million).

12 Intangible assets

Group	Goodwill	Trademarks	Total
	US$'000	US$'000	US$'000
Year ended 31st December 2002			
At 1st January 2002	6,225	641	6,866
Amortization charge	(466)	(54)	(520)
At 31st December 2002	5,759	587	6,346
At 31st December 2002			
Cost	7,010	800	7,810
Accumulated amortization	(1,251)	(213)	(1,464)
Net book amount	5,759	587	6,346
At 31st December 2001			
Cost	7,010	800	7,810
Accumulated amortization	(785)	(159)	(944)
Net book amount	6,225	641	6,866

Company	Trademarks
	US$'000
Year ended 31st December 2002	
At 1st January 2002	641
Amortization charge	(54)
At 31st December 2002	587
At 31st December 2002	
Cost	800
Accumulated amortization	(213)
Net book amount	587
At 31st December 2001	
Cost	800
Accumulated amortization	(159)
Net book amount	641

13 Investments in subsidiaries

	Company 2002 US$'000	2001 US$'000
Unlisted shares in a subsidiary, at cost	59,066	59,066
Amount due from a subsidiary	120,658	27,696
	179,724	86,762

The amount is due from a wholly-owned subsidiary and is interest-free, unsecured and has no fixed terms of repayment.

The following is a list of the significant subsidiaries at 31st December 2002:

Name	Country/ place of incorporation (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares directly held by the Company:				
Top Victory International Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%
Shares/investments indirectly held by the Company:				
Top Victory Investments Limited	Hong Kong	Trading of computer monitors and sourcing	HK$11,000 divided into1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	100%
Top Victory Electronics (Taiwan) Company Limited	Taiwan	Research and development of computer monitors and sourcing of certain components	10,000,000 ordinary shares of NT$10 each	100%
Top Victory Electronics (Fujian) Company Limited (Note b)	People's Republic of China	Production and sales of computer monitors	Paid in capital of US$40,000,000	100%

13 Investments in subsidiaries (Continued)

Name	Country/ place of incorporation (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
TPV Electronics (Fujian) Company Limited (Note b)	People's Republic of China	Production and sales of computer monitors	Paid in capital of US$5,000,000	100%
AOC do Brasil Monitores Ltda	Brazil	Sales and distribution of computer monitors	500,000 ordinary shares of Reais $1 each	90%
AOC International (Europe) GmbH	Germany	Sales and distribution of computer monitors	Ordinary shares DEM450,000	100%
TPV International (USA), Inc.	United States of America	Sales and distribution of computer monitors	1,000,000 ordinary shares of US$1 each	100%

Notes:

(a) The subsidiaries operate principally in their places of incorporation.

(b) The two subsidiaries are established as wholly foreign owned enterprises.

14 Interests in associated companies

	Group	
	2002	2001
	US$'000	US$'000
Unlisted shares, at cost	14,405	14,405
Share of undistributed reserves	6,264	3,322
Share of net assets	20,669	17,727
Unlisted shares, share of net assets other than goodwill	19,908	16,957
Share of goodwill	761	770
	20,669	17,727

14 Interest in associated companies (Continued)

The following is a list of the principal associated companies at 31st December 2002:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held indirectly
Envision Peripherals, Inc.	United States of America	Trading of computer monitors	1,000,000 ordinary shares of US$1 each	24%
Beijing Orient Top Victory Electronics Company Limited ("BJOTV") (Note (a))	People's Republic of China	Production and sale of computer monitors	280,600,000 ordinary shares of RMB1 each	41.74%

Note (a)

In July 2001, with the approval of the relevant authorities in the PRC, BJOTV was restructured from a Sino-foreign equity joint venture into a joint-stock limited company with foreign investment. As a result of the restructuring, the Group has a 48% equity interest in this company as to 43% by way of direct shareholdings and as to 5% by way of holding economic benefits and voting rights associated with the relevant shares.

Before the restructuring, BJOTV was treated as a jointly controlled entity and the results for the period from 1st January 2001 to 30th June 2001 were included in the share of results of a jointly controlled entity in the consolidated profit and loss account.

On 3rd July 2002, the Group together with other shareholders of BJOTV entered into an agreement with certain investors pursuant to which shares were issued by BJOTV to the new investors. As a result of the increase in the share capital of BJOTV, the equity interest in BJOTV held by the Group was diluted from 48% to 41.74% and the financial effect of the dilution is not significant to the Group.

Note (b)

The share of net assets of BJOTV as a material associated company as at 31st December 2002 is as follows:

	2002	2001
	US$'000	US$'000
Unlisted shares, at cost	14,165	14,165
Share of undistributed reserves	6,361	3,415
Share of net assets	20,526	17,580

14 Interest in associated companies (Continued)

Set out below is a summary of the financial information of BJOTV, a principal associated company and previously a jointly controlled entity:

(i) Results

	2002	2001
	US$'000	US$'000
Turnover		
- as an associated company	313,524	143,538
- as a jointly controlled entity	-	120,722
	313,524	264,260
Operating profit		
- as an associated company	8,981	5,370
- as a jointly controlled entity	-	2,681
	8,981	8,051
Group's share of operating profit		
- as an associated company	3,940	2,577
- as a jointly controlled entity	-	1,287
	3,940	3,864

(ii) Net assets as at year end

	2002	2001
	US$'000	US$'000
Fixed assets	22,530	20,742
Other assets	2,740	-
Current assets	142,713	95,614
Current liabilities	(114,993)	(76,913)
Long-term liabilities	(3,815)	(2,818)
	49,175	36,625

15 Other investments

	Group 2002	2001
	US$'000	US$'000
Equity securities listed in Hong Kong, at cost	281	281
Unlisted investments, at cost	500	500
Provision for impairment losses on equity securities	(179)	(179)
	602	602

15 Other investments (Continued)

	Company 2002 US$'000	Company 2001 US$'000
Equity securities listed in Hong Kong, at cost	281	281
Provision for impairment losses	(179)	(179)
	102	102
Market value of listed securities – Group and Company	88	161

16 Inventories

	Group 2002 US$'000	Group 2001 US$'000
Finished goods	120,568	65,737
Raw materials	48,801	59,866
Work-in-progress	2,902	3,032
Production supplies	1,700	1,400
	173,971	130,035

At 31st December 2002, inventories of the Group with cost of US$55,335,000 (2001: Nil) were stated at the net realizable value of US$51,667,000 (2001: Nil).

At 31st December 2002, the carrying amount of inventories that were pledged as security for bank loans amounted to approximately US$46.0 million (2001:US$46.0 million).

17 Trade receivables

The ageing analysis of trade receivables is as follows:

	Group 2002 US$'000	Group 2001 US$'000
0 – 30 days	106,507	118,755
31 – 60 days	54,127	50,077
61 – 90 days	25,074	11,012
91 – 120 days	6,645	1,596
Over 120 days	10,826	11,389
	203,179	192,829

The Group's sales are on credit terms of between 30 to 120 days and certain of its export sales are on letters of credit or documents against payment.

18 Trade amounts due from associated companies

The amounts due from associated companies are unsecured and interest-free.

19 Deposit to a supplier

The amount represents the remaining balance of a purchase deposit totalled US$50.0 million paid during the year to a major independent overseas supplier in order to secure the supply of certain LCD panels. Pursuant to the contract, any amount unutilized by the end of May 2003 will be returned to the Group.

20 Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2002	2001
	US$'000	US$'000
0 – 30 days	127,238	161,545
31 – 60 days	78,950	64,352
61 – 90 days	74,277	46,859
Over 90 days	111,853	51,435
	392,318	324,191

21 Amount due to an associated company

The amount due to an associated company represents cash received on behalf of an associated company. The amount is unsecured, interest-free and has no fixed repayment terms.

22 Warranty provisions

	Group
	US$'000
At 1st January 2002	8,571
Charged to the profit and loss account	12,355
Utilized during the year	(10,626)
At 31st December 2002	10,300

The Group gives three-year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. The provision as at 31st December 2002 has been made for expected warranty claims on products sold during the last three financial years. It is expected that the majority of this expenditure will be incurred in the next financial year, and all will be incurred within two years of the balance sheet date.

23 Pledge of assets

Approximately US$33.9 million (2001: US$26.8 million) of fixed assets, US$46.0 million (2001: US$46.0 million) of inventories and US$36.5 million (2001: US$36.7 million) of bank deposits have been pledged as security for the general banking facilities amounting to US$477.0 million (2001: US$304.5 million) granted to the Group. At the balance sheet date, the amount so utilized amounting to US$10.9 million (2001: US$26.5 million).

24 Share capital

	2002	2001
	US$'000	US$'000
Authorized:		
4,000,000,000 (2001: 4,000,000,000) ordinary shares of US$0.01 each	40,000	40,000
Issued and fully paid:		
1,332,515,264 (2001: 1,215,381,264) ordinary shares of US$0.01 each	13,325	12,154

A summary of the above movements in issued share capital of the Company is as follows:

	Number of issued ordinary shares of US$0.01 each	Par value US$'000
At 31st December 2001	1,215,381,264	12,154
Issue of shares pursuant to the exercise of share options (Note (a))	12,134,000	121
Subscription of shares (Note (b))	105,000,000	1,050
At 31st December 2002	1,332,515,264	13,325

The following alterations in the Company's issued share capital took place during the year:

(a) During the year, 12,134,000 new shares of US$0.01 each were issued upon the exercise of options under a share option scheme approved by the shareholders of the Company on 21st September 1999 (the "Option Scheme") at an exercise price of HK$0.67 (US$0.09) per share. These shares rank pari passu with the existing shares of the Company.

(b) On 29th May 2002, the Company entered into a subscription agreement with Fields Pacific Limited ("Fields"), the ultimate holding company of the Company, pursuant to which the Company allotted and issued to Fields 105,000,000 new shares of US$0.01 each at a subscription price of HK$2.92 (US$0.37) per share totaling HK$306,600,000 (US$38,850,000) on 11th June 2002. These shares rank pari passu with the existing shares of the Company. The net proceeds of the subscription amounted to approximately US$38,395,000 were used for improvement of production facilities and general working capital of the Group.

24 Share capital (Continued)

Details of the movements in share options are as follows:

Pursuant to the Option Scheme, the board of directors of the Company may offer eligible employees (including executive directors) rights to subscribe for shares of the Company (the "Option"). Movements in the number of Options outstanding during the year are as follows:

	Number of Options	
	2002	2001
At the beginning of the year	63,040,000	-
Granted on 26th February 2001 (Note (i))	-	64,140,000
Granted on 2nd May 2002 (Note (ii))	37,610,000	-
Granted on 1st August 2002 (Note (iii))	31,818,000	-
Exercised (Note (a) above)	(12,134,000)	-
Lapsed	(1,922,000)	(1,100,000)
At the end of the year	118,412,000	63,040,000

Notes:

(i) On 26th February 2001, the Company granted 64,140,000 Options to certain employees. The Options are exercisable at HK$0.67 (US$0.09) per share in three trenches: the maximum percentage of Options exercisable after the first, second and third anniversary from 26th February 2001 are 20%, 50% and 100%, respectively.

(ii) On 2nd May 2002, the Company granted 37,610,000 Options to certain employees. The Options are exercisable at HK$3.30 (US$0.42) per share in two trenches: the maximum percentage of Options exercisable within the periods commencing from 8th June 2004 to 1st May 2007 and from 8th June 2005 to 1st May 2007 are 50% and 100%, respectively.

(iii) On 1st August 2002, the Company granted 31,818,000 Options to certain employees. The Options are exercisable at HK$2.325 (US$0.30) per share in two trenches: the maximum percentage of Options exercisable during the periods from 8th June 2004 to 31st July 2007 and from 8th June 2005 to 31st July 2007 are 50% and 100%, respectively.

(iv) Options exercised on 19th April 2002, 29th April 2002, 2nd May 2002, 17th June 2002, 17th July 2002, 16th September 2002 and 15th November 2002 resulted in 10,986,000 shares, 80,000 shares, 120,000 shares, 170,000 shares, 50,000 shares, 170,000 shares and 558,000 shares (2001:Nil), respectively, being issued at HK$0.67 (US$0.09), yielding the following proceeds.

	2002	2001
	US$'000	US$'000
Ordinary share capital – at par	121	-
Share premium	921	-
Net proceeds	1,042	-

24 Share capital (Continued)

Fair value of shares issued at the respective exercise dates:

	US$'000
- 19th April 2002	4,701
- 29th April 2002	33
- 2nd May 2002	51
- 17th June 2002	62
- 17th July 2002	17
- 16th September 2002	52
- 15th November 2002	179
	5,095

(v) Options outstanding at the end of the year have the following terms:

		Number of Options	
Expiry Date	Exercise price per share	2002	2001
Employees			
- 25th February 2006	HK$0.67 (US$0.09)	49,476,000	63,040,000
- 1st May 2007	HK$3.30 (US$0.42)	37,140,000	-
- 31st July 2007	HK$2.325 (US$0.30)	31,796,000	-
		118,412,000	63,040,000

25 Reserves

	Group							
	Share premium	Capital reserve	Share redemption reserve	Exchange reserve	Reserve fund (Note a)	Merger difference (Note b)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2001, as previously reported	27,583	4,166	8	(6,948)	8,629	10,001	62,630	106,069
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	5,337	5,337
At 1st January 2001, as restated	27,583	4,166	8	(6,948)	8,629	10,001	67,967	111,406
Issue of new shares under a scrip dividend scheme, net of expenses	574	-	-	-	-	-	-	574
Repurchase of shares	(28)	-	3	-	-	-	(3)	(28)
Profit for the year	-	-	-	-	-	-	43,346	43,346
Dividends paid:								
2000 final	-	-	-	-	-	-	(5,337)	(5,337)
2001 interim	-	-	-	-	-	-	(3,159)	(3,159)
Transfer from retained profits	-	-	-	-	5,360	-	(5,360)	-
Exchange difference	-	-	-	(221)	-	-	-	(221)
At 31st December 2001	28,129	4,166	11	(7,169)	13,989	10,001	97,454	146,581
Represented by:								
Reserves	28,129	4,166	11	(7,169)	13,989	10,001	91,620	140,747
Proposed 2001 final dividend	-	-	-	-	-	-	5,834	5,834
At 31st December 2001	28,129	4,166	11	(7,169)	13,989	10,001	97,454	146,581

25 Reserves (Continued)

	Group							
	Share premium	Capital reserve	Share redemption reserve	Exchange reserve	Reserve fund (Note a)	Merger difference (Note b)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2002	28,129	4,166	11	(7,169)	13,989	10,001	97,454	146,581
Issue of new shares pursuant to exercise of share options, net of expenses	921	-	-	-	-	-	-	921
Allotment of new shares, net of expenses	37,345	-	-	-	-	-	-	37,345
Profit for the year	-	-	-	-	-	-	51,099	51,099
Dividends paid:								
2001 final	-	-	-	-	-	-	(5,887)	(5,887)
2002 interim	-	-	-	-	-	-	(3,729)	(3,729)
Transfer from retained profits	-	-	-	-	2,005	-	(2,005)	-
Exchange difference	-	-	-	156	-	-	-	156
Contribution from a shareholder	-	4,295	-	-	-	-	-	4,295
At 31st December 2002	66,395	8,461	11	(7,013)	15,994	10,001	136,932	230,781
Represented by:								
Reserves	66,395	8,461	11	(7,013)	15,994	10,001	129,919	223,768
Proposed 2002 final dividend	-	-	-	-	-	-	7,013	7,013
At 31st December 2002	66,395	8,461	11	(7,013)	15,994	10,001	136,932	230,781

25 Reserves (Continued)

	Company				
	Share premium	Share redemption reserve	Contributed surplus (Note c)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2001, as previously reported	27,583	8	46,787	1,514	75,892
Effect of adopting SSAP 9 (revised)	-	-	-	5,337	5,337
At 1st January 2001, as restated	27,583	8	46,787	6,851	81,229
Issue of new shares under a scrip dividend scheme, net of expenses	574	-	-	-	574
Repurchase of shares	(28)	3	-	(3)	(28)
Profit for the year	-	-	-	2,173	2,173
Dividends paid:					
2000 final	-	-	-	(5,337)	(5,337)
2001 interim	-	-	-	(3,159)	(3,159)
At 31st December 2001	28,129	11	46,787	525	75,452
Represented by:					
Reserves	28,129	11	40,953	525	69,618
Proposed 2001 final dividend	-	-	5,834	-	5,834
At 31st December 2001	28,129	11	46,787	525	75,452
At 1st January 2002	28,129	11	46,787	525	75,452
Issue of new shares pursuant to exercise of share options, net of expenses	921	-	-	-	921
Allotment of new shares, net of expenses	37,345	-	-	-	37,345
Profit for the year	-	-	-	13,153	13,153
Dividends paid:					
2001 final	-	-	(5,887)	-	(5,887)
2002 interim	-	-	-	(3,729)	(3,729)
At 31st December 2002	66,395	11	40,900	9,949	117,255
Represented by:					
Reserves	66,395	11	40,900	2,936	110,242
Proposed 2002 final dividend	-	-	-	7,013	7,013
At 31st December 2002	66,395	11	40,900	9,949	117,255

25 Reserves (Continued)

Notes:

(a) In accordance with the relevant PRC regulations applicable to wholly foreign-owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the amount of profit after taxation, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the relevant PRC subsidiaries, the enterprise will not be required to make any further appropriation. Pursuant to certain PRC regulations, this reserve can be used for making up losses and increase of capital. As at 31st December 2002, the cumulative appropriation to the reserve fund of a subsidiary has reached 50% of its registered capital.

(b) The merger difference of the Group represents the difference between the nominal value of the share capital of the subsidiary acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the shares of the Company on The Stock Exchange of Hong Kong Limited, over the nominal value of the share capital of the Company issued in exchange thereof.

(c) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the share capital of the subsidiary acquired pursuant to the Reorganization and the value of the consolidated net assets of the subsidiary acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as the issued share capital and premium is less than the realizable value of its assets.

26 Pension obligations

The pension obligations represent the net liability of a defined benefit plan in Taiwan. A subsidiary of the Group in Taiwan participates in a pension scheme as stipulated by local statutory regulations. The subsidiary contributes at a fixed percentage of the payroll incurred in accordance with the regulations and is required to pay a certain amount to its employees when they attain the age of retirement.

Actuarial valuation has been performed on the pension liability as at 31st December 2002 and 31st December 2001 by KPMG Consulting Co. Ltd., Taiwan, and the deficit between the pension asset and present value of the obligation as at 31st December 2002 is recognized in the profit and loss account in 2002. No prior year adjustment has been made as the net deficit as at 31st December 2001 and the pension costs for that year were not material to the Group.

The amounts recognized in the balance sheet are determined as follows:

	2002
	US$'000
Present value of funded obligations	2,672
Fair value of plan assets	(366)
Present value of unfunded obligations	2,306
Unrecognized actuarial losses	(925)
Liability in the balance sheet	1,381

26 Pension obligations (Continued)

Movement in the liability recognized in the balance sheet:

	2002
	US$'000
At 1st January 2002	-
Total expense, included in staff costs (Note 9)	1,493
Contributions paid	(112)
At 31st December 2002	1,381

The principal actuarial assumptions used were as follows:

	2002
	%
Discount rate	3.75
Expected rate of return on plan assets	3.75
Expected rate of future salary increases	3.00

27 Long-term bank loan, unsecured

The long-term bank loan is repayable as follows:

	Group and Company	
	2002	2001
	US$'000	US$'000
In the second year	25,000	-
In the third to fifth year	25,000	-
	50,000	-

The loan is granted by a group of banks and is guaranteed unconditionally and irrevocably by two subsidiaries of the Company, namely Top Victory International Limited and Top Victory Investments Limited.

28 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2002	Restated 2001
	US$'000	US$'000
Operating profit	55,215	51,174
Interest income	(1,274)	(1,755)
Depreciation	16,616	15,598
Amortization of intangible assets	520	522
(Gain)/loss on disposal of fixed assets	(80)	261
Gain on disposal of other investments	-	(245)
Operating profit before working capital charges	70,997	65,555
Decrease in amount due to a jointly controlled entity	-	(4,585)
Decrease/(increase) in net amounts due from associated companies	45,914	(22,129)
Increase in trade receivables	(10,350)	(43,046)
Increase in deposits, prepayments and other receivables	(25,172)	(9,910)
(Increase)/decrease in inventories	(43,936)	42,790
Increase in trade payables	68,127	70,756
Increase in warranty provisions, other payables, accruals and pension obligations	12,017	13,585
Net cash inflow generated from operations	117,597	113,016

(b) Analysis of changes in financing during the year

	Share capital including premium and share redemption reserve		Bank loans		Pledged bank deposits	
	2002	2001	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January	40,294	39,719	26,461	80,965	(36,662)	(31,867)
Issue of new shares	39,437	603	-	-	-	-
Repurchase of shares	-	(28)	-	-	-	-
Net repayment of short-term loans	-	-	(15,533)	(54,504)	-	-
Long-term bank loan raised	-	-	50,000	-	-	-
Decrease/(increase) in pledged bank deposits	-	-	-	-	168	(4,795)
At 31st December	79,731	40,294	60,928	26,461	(36,494)	(36,662)

28 Notes to the consolidated cash flow statement (Continued)

(c) Major non-cash transaction

At 31st December 2001, the Company issued and allotted a total of 2,855,089 new ordinary shares of US$0.01 each as scrip dividend in lieu of cash amounting to US$602,449 to certain shareholders.

29 Contingent liabilities

(a) Corporate guarantees

	Group		Company	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Guarantees in respect of banking facilities granted to:				
- subsidiaries	-	-	600,130	388,624
- an associated company	25,036	39,436	-	-
	25,036	39,436	600,130	388,624

(b) At 31st December 2002, the Group had outstanding commitment to sell Euros for US dollars under forward exchange contracts of US$57.1 million (2001:Nil) in order to hedge the Group's exposure in Euros arising from the sales to Europe.

30 Commitments

(a) Capital commitments for plant and equipment

	Group		Company	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Contracted but not provided for	267	1,114	-	-

(b) Commitments under operating leases

At 31st December 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Not later than one year	1,062	887	44	-
Later than one year and not later than five years	782	1,280	97	-
Later than five years	175	291	-	-
	2,019	2,458	141	-

31 Related party transactions

Related parties of the Group are individuals and companies, including associated companies and jointly controlled entities, where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Other than the information as disclosed in note 24(b) in relation to allotment of new shares to the ultimate holding company and note 29(a) in relation to guarantees given to certain banks for banking facilities granted to an associated company, significant related party transactions, which were carried out in the normal course of the Group's business and were conducted on normal commercial terms in the opinion of the directors, are as follows:

		Group	
	Note	2002	2001
		US$'000	US$'000
Sale of finished goods to associated companies	(a)	256,248	147,922
Commission paid to an associated company	(b)	(5,028)	(5,593)
Purchase of raw materials, fixed assets and low value consumables from associated companies	(c)	(78,761)	(21,169)
Technical support service fee received from an associated company	(d)	2,884	1,984
Warranty cost recovery from an associated company	(e)	2,408	2,109
Contribution from a shareholder	(f)	4,295	-

Notes:

(a) Sales of finished goods to associated companies (include an associated company which was previously a jointly controlled entity) were conducted in the normal course of business at prices and terms as determined by the transacting parties.

(b) The amount of the commission paid to the associated company was agreed between the transacting parties.

(c) The purchases of raw materials, fixed assets and low value consumables from associated companies (include an associated company which was previously a jointly controlled entity) were conducted in the normal course of business at prices and terms as agreed by the transacting parties.

(d) Technical support service fee from an associated company was charged at terms as agreed between the transacting parties.

(e) Warranty cost recovery from an associated company was charged based on terms as agreed between the transacting parties.

31 Related party transactions (Continued)

(f) Pursuant to an indemnity given in 1999, Mr Stanley Pen, a non-executive director and shareholder of the Company, indemnified and held harmless the Group in respect of certain debts due from a company to the Group (the "Debts"). Details of this indemnity are set out in Appendix V of the prospectus issued by the Company on 27th September 1999. In 2000, the Group acquired this company from independent third parties. This company has since become a subsidiary of the Company.

The outstanding balance of the Debts at the material times was approximately US$4,295,000. In light of this, pursuant to the indemnity, during 2002, Mr Pen paid a total sum of US$4,295,000 to the Group in settlement of the full amount of the Debts. As the subsidiary had a legal obligation to repay this amount to Mr Pen, the amount was previously recognized as the subsidiary's liability and classified by the Group as amount due to a shareholder. Pursuant to a release and waiver given in 2002, Mr Pen unconditionally and irrevocably waived the Debts and released the Group from payment of the Debts.

(g) In 2001, two third party companies commenced legal action in the United States of America against three defendants, namely a company controlled by Mr Stanley Pen, a non-executive director and shareholder of the Company (the "Related Company") , Envision Peripherals, Inc., an associated company and distributor of the Company, and Top Victory Electronics (Taiwan) Company Limited, a subsidiary of the Company. This action claimed damages related to alleged infringement of certain patents titled "Low-Power-Consumption Monitor Standby System" by virtue of the defendants' making, using, offering for sale and/or selling computer monitors in the United States of America.

On 27th November 2002, the action was dismissed by the court of the United States of America as a result of the settlement among the parties and a bank guarantee for the settlement payment. In connection with this settlement, among the three defendants, the Related Company agreed to be responsible for making full settlement payment. Pursuant to a letter of release and indemnity given by the Related Company in favour of the Group and others, the Related Company unconditionally and irrevocably released the Group and others from, inter alia, any of its right of contribution or indemnity which arises under settlement payment made by the Related Company. In this connection, the settlement has no material financial impact on the Group.

32 Ultimate holding company

The directors regard Fields Pacific Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

33 Approval of accounts

The accounts were approved by the board of directors on 7th April 2003.