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 Statement of Standard Accounting Practice ("SSAP") No. 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 (revised) "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003, respectively.

The changes to the Group's accounting policies and the effect of adopting these new/revised policies are set out below:

(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 Group, directly or indirectly, controls more than 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 and 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 investment in subsidiaries is 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.

(c) 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.

1 Principal accounting policies (Continued)

(d) 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 is assessed and written down immediately to its recoverable amount.

(e) Property, plant and equipment

Fixed assets are stated at cost less accumulated deprecation 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.

Notes to the Accounts

1 Principal accounting policies (Continued)

(f) 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.

(g) 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.

(h) 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 amounts of such investments will be reduced to their fair values. The impairment loss is recognized as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account 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 for the foreseeable future.

(i) 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.

(j) 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.

(k) 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.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Accounts

1 Principal accounting policies (Continued)

(l) Deferred taxation (Continued)

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 27 to the accounts, opening retained earnings at 1st January 2002 and 2003 have been increased by US$3,920,000 and US$4,136,000, respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets at 31st December 2002 by US$4,136,000. The profit for the year ended 31st December 2002 has been increased by approximately US$216,000. No deferred taxation has been charged directly to equity for the year ended 31st December 2002.

(m) 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.

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 account is translated at an average rate. 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 consolidated profit and loss account as part of the gain or loss on disposal.

(n) Warranty provision

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.

(o) 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.

Notes to the Accounts

1 Principal accounting policies (Continued)

(p) 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.

(q) Government grants

A government grant is recognized when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognized in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

(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.

Notes to the Accounts

1 Principal accounting policies (Continued)

(s) Research and development costs (Continued)

Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purpose 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.

(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 formant.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, and mainly exclude intangible assets, other investments, deferred tax assets, 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 country 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 and related products. Revenues recognized during the year are as follows:

	2003 US$'000	2002 US$'000
Turnover		
Sales of goods to third parties and related companies	2,135,381	1,506,236
Other revenue		
Interest income from bank deposits	1,393	1,274
Export incentives received (Note (a))	2,345	3,681
Technical support service fee (Note (b))	3,514	2,884
Fiscal refund received (Note (c))	1,333	331
Miscellaneous income	1,816	2,671
	10,401	10,841
Total revenues	2,145,782	1,517,077

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 service provided to an associated company (Note 31).

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

Notes to the Accounts

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments

	2003			
	CRT monitors US$'000	LCD monitors US$'000	Others (Note (a)) US$'000	Total US$'000
Turnover	846,855	1,246,805	41,721	2,135,381
Cost of goods sold	(751,499)	(1,186,266)	(39,260)	(1,977,025)
Other revenue excluding interest income, export incentives received and fiscal refund received	2,112	3,110	108	5,330
Operating expenses	(63,378)	(27,047)	(2,473)	(92,898)
Segment results	34,090	36,602	96	70,788
Interest income				1,393
Export incentives received				2,345
Fiscal refund received				1,333
Operating profit				75,859
Finance costs				(3,768)
Share of profits of associated companies				4,177
Profit before taxation				76,268
Taxation				(6,684)
Profit attributable to shareholders				69,584
Other information				
Capital expenditure	6,457	6,764	-	13,221
Depreciation	10,931	2,646	-	13,577
Amortization	218	302	-	520
Balance sheet				
Segment assets	429,978	448,700	-	878,678
Interests in associated companies				24,488
Unallocated assets				224,453
Total assets				1,127,619
Segment liabilities	(362,530)	(317,296)	-	(679,826)
Unallocated liabilities				(139,199)
Total liabilities				(819,025)

Notes to the Accounts

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	As restated 2002			
	CRT monitors US$'000	LCD monitors US$'000	Others (Note (a)) US$'000	Total US$'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 revenue excluding interest income, export incentives received and fiscal refund 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
Fiscal refund received				331
Operating profit				55,546
Finance costs				(3,322)
Share of profits less losses of associated companies				3,878
Profit before taxation				56,102
Taxation				(4,787)
Profit attributable to shareholders				51,315
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				265,849
Total assets				777,934
Segment liabilities	(383,050)	(83,567)	-	(466,617)
Unallocated liabilities				(63,075)
Total liabilities				(529,692)

Notes:

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

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

Notes to the Accounts

2 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	2003			
	Turnover US$'000	Operating profit/(loss) US$'000	Total assets US$'000	Capital expenditure US$'000
Europe	690,797	19,891	13,159	50
North America	626,891	18,532	132,221	6
South America	27,467	(1,198)	9,864	702
Africa	9,284	102	-	-
Australia	54,832	1,735	-	-
Asia				
- PRC	462,573	28,588	672,504	11,846
- other Asian countries	263,537	8,209	275,383	617
	2,135,381	75,859	1,103,131	13,221
Interests in associated companies			24,488	
Total assets			1,127,619	

	As restated 2002			
	Turnover US$'000	Operating profit/(loss) US$'000	Total assets US$'000	Capital Expenditure US$'000
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	20,799	484,336	11,828
- other Asian countries	171,743	5,593	169,074	840
	1,506,236	55,546	757,265	12,751
Interests in associated companies			20,669	
Total assets			777,934	

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

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

Notes to the Accounts

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2003 US$'000	2002 US$'000
Crediting		
Net exchange gains	4,121	489
Gain on disposal of fixed assets	-	80
Provision for doubtful debts written back	1,862	114
Charging		
Staff costs (including directors' emoluments) (Note 9)	34,983	29,099
Depreciation	13,577	16,616
Operating lease rental for land and buildings	979	1,030
Auditors' remuneration	309	278
Amortization of intangible assets	520	520
Provision for warranty	20,964	12,355
Loss on disposal of fixed assets	315	-
Write-down of inventories to net realizable value	1,089	3,668

4 Finance costs

	2003 US$'000	2002 US$'000
Interest on bank loans	3,768	3,322

No borrowing costs were capitalized during the years ended 31st December 2002 and 2003.

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 (2002: 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.

A subsidiary, Top Victory Electronics (Fujian) Company Limited ("TVE (FJ)"), which was established in a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15% in accordance with tax regulations of Mainland China. TVE (FJ) was subject to Mainland China enterprise income tax at a further reduced rate of 10% because its export sales exceeded 70% of the total sales amount during the year.

Another subsidiary, TPV Electronics (Fujian) Company Limited ("TPVE (FJ)"), which was established in a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15% in accordance with tax regulations in Mainland China. However, it is exempted from state income tax and local income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in state income tax for three years. TPVE (FJ) was entitled to full tax exemption starting from 2002.

Notes to the Accounts

5 Taxation (Continued)

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

	2003 US$'000	As restated 2002 US$'000
Overseas taxation		
- current year	5,920	4,806
- under/(over) provision in prior years	1,500	(32)
Deferred taxation relating to the origination and reversal of temporary differences	(1,094)	(216)
	6,326	4,558
Share of taxation attributable to associated companies	358	229
	6,684	4,787

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the principal place of business of the Group as follows:

	2003 US$'000	2002 US$'000
Profit before taxation	76,268	56,102
Calculated at a taxation rate of 15% (2002: 15%)	11,440	8,415
Effect of different taxation rates in other countries	158	500
Income not subject to taxation	(2,656)	(1,314)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	(6,370)	(2,890)
Expenses not deductible for taxation purposes	2,612	76
Under-provision in prior years	1,500	-
Taxation charge	6,684	4,787

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$12,453,000 (2002: US$13,153,000).

7 Dividends

	2003 US$'000	2002 US$'000
Interim, paid, of US0.31 cent (2002: US0.28 cent) per ordinary share	4,184	3,729
Final, proposed, of US1.12 cents (2002: US0.52 cent) per ordinary share	15,425	7,013
	19,609	10,742

The directors proposed on 6th April 2004 a final dividend of US1.12 cents per share (2002: US0.52 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 2004.

Notes to the Accounts

8 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders for the year of US$69,584,000 (2002: US$51,315,000).

The basic earnings per share is based on the weighted average number of 1,347,211,897 (2002: 1,281,851,905) ordinary shares in issue during the year.

The fully diluted earnings per share is based on 1,382,219,083 (2002: 1,324,006,567) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 35,007,186 (2002: 42,154,662) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Staff costs (including directors' emoluments)

	2003 US$'000	2002 US$'000
Wages and salaries	34,020	27,410
Unutilized annual leave	48	26
Pension costs - defined contribution plans	246	170
Pension costs - defined benefit plans (Note 25)	669	1,493
	34,983	29,099

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:

	2003 US$'000	2002 US$'000
Fees	72	158
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits-in-kind	989	849
	1,061	1,007

Directors' fees disclosed above include US$71,795 (2002: US$46,154) paid to independent non-executive directors.

None of the directors waived any of their emoluments during the year (2002: Nil).

No incentive payment for joining the Group or compensation for loss of office was paid/payable to any director during the year (2002: Nil).

Notes to the Accounts

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 2003	Number of directors 2002
US$Nil to US$128,205	10	7
US$128,206 to US$192,308	-	3
US$192,309 to US$256,410	2	-
US$256,411 to US$320,512	-	-
US$320,513 to US$384,614	1	1
	13	11

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable for the remaining two individuals (2002: three) during the year are as follows:

	2003 US$'000	2002 US$'000
Basis salaries, housing allowances, other allowances and benefits-in-kind	465	695

Emolument bands	Number of directors 2003	Number of directors 2002
US$128,206 to US$192,308	-	2
US$192,309 to US$256,410	1	-
US$256,411 to US$320,512	1	1
	2	3

Notes to the Accounts

11 Intangible assets

	Goodwill US$'000	Group Trademarks US$'000	Total US$'000
Year ended 31st December 2003			
At 1st January 2003	5,759	587	6,346
Amortization charge	(466)	(54)	(520)
At 31st December 2003	5,293	533	5,826
At 31st December 2003			
Cost	7,010	800	7,810
Accumulated amortization	(1,717)	(267)	(1,984)
Net book amount	5,293	533	5,826
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

	Company Trademarks US$'000
Year ended 31st December 2003	
At 1st January 2003	587
Amortization charge	(54)
At 31st December 2003	533
At 31st December 2003	
Cost	800
Accumulated amortization	(267)
Net book amount	533
At 31st December 2002	
Cost	800
Accumulated amortization	(213)
Net book amount	587

Notes to the Accounts

12 Fixed assets

Group

	Land use rights outside Hong Kong - long term US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
At cost:										
At 1st January 2003	1,222	12,421	2,436	16,752	29,142	29,111	864	3,754	120	95,822
Exchange adjustment	-	-	-	-	-	-	-	93	-	93
Additions	-	448	419	1,101	5,834	2,161	87	1,558	1,613	13,221
Disposals	-	-	-	(308)	(1,127)	(287)	-	(38)	-	(1,760)
At 31st December 2003	1,222	12,869	2,855	17,545	33,849	30,985	951	5,367	1,733	107,376
Accumulated depreciation:										
At 1st January 2003	121	4,011	771	9,619	22,126	16,116	531	1,831	-	55,126
Exchange adjustment	-	-	-	-	-	-	-	25	-	25
Charge for the year	23	564	98	1,407	6,200	4,463	76	746	-	13,577
Disposals	-	-	-	(284)	(640)	(260)	-	(26)	-	(1,210)
At 31st December 2003	144	4,575	869	10,742	27,686	20,319	607	2,576	-	67,518
Net book value:										
At 31st December 2003	1,078	8,294	1,986	6,803	6,163	10,666	344	2,791	1,733	39,858
At 31st December 2002	1,101	8,410	1,665	7,133	7,016	12,995	333	1,923	120	40,696

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

At 31st December 2003, 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$16,160,000 (2002: US$33,900,000).

13 Investment in subsidiaries

	Company	
	2003 US$'000	2002 US$'000
Unlisted shares in a subsidiary, at cost	59,066	59,066
Amount due from a subsidiary	125,602	120,658
	184,668	179,724

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

Notes to the Accounts

13 Investment in subsidiaries (Continued)

Particulars of subsidiaries at 31st December 2003 are as follows:

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 into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note (c))	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%
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	99.56%
AOC International (Europe) GmbH	Germany	Sales and distribution of computer monitors	1 ordinary share of DEM450,000 (€230,081) each	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%
TPV International (Netherlands) B.V.	Netherlands	Provision of after-sales services	5,000 ordinary shares of €100 each	100%
Envision Industria de Productos Electronicos Ltda.	Brazil	Production and sales of computer monitors	11,250,000 ordinary shares of Reais $1 each	99.56%

Notes to the Accounts

13 Investment in subsidiaries (Continued)

Notes:

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

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

(c) The non-voting deferred shares shall not confer on the holders thereof voting rights or any rights and privileges to participate in profits and assets except that Top Victory Investments Limited may distribute profits in respect of any financial year the first HK$100,000,000,000,000 thereof among the holders of the "A" ordinary shares and the balance, if any, among the holders of the "A" ordinary shares and the non-voting deferred shares. Top Victory Investments Limited may distribute assets as regards the first HK$100,000,000,000,000 thereof among the holders of "A" ordinary shares and the balance, if any, among the holders of "A" ordinary shares and non-voting deferred shares.

14 Interests in associated companies

	Group	
	2003 US$'000	2002 US$'000
Unlisted shares, at cost	14,405	14,405
Share of undistributed reserves	10,083	6,264
Share of net assets	24,488	20,669
Unlisted shares, share of net assets other than goodwill	23,727	19,908
Share of goodwill	761	761
	24,488	20,669

The following is a list of the principal associated companies as at 31st December 2003:

Name	Country/place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
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")	People's Republic of China	Production and sale of computer monitors	280,600,000 ordinary shares of RMB1 each	41.74%

Notes:

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

(b) The share of net assets of BJOTV, a material associated company, as at 31st December 2003 is as follows:

	2003 US$'000	2002 US$'000
Unlisted shares, at cost	14,165	14,165
Share of undistributed reserves	10,148	6,361
Share of net assets	24,313	20,526

Notes to the Accounts

14 Interests in associated companies (Continued)

Set out below is a summary of the financial information of BJOTV:

(a) Results

	2003 US$'000	2002 US$'000
Turnover	379,027	313,524
Operating profit	12,328	11,577
Group's share of operating profit	5,146	4,832

(b) Net assets as at 31st December:

	2003 US$'000	2002 US$'000
Fixed assets	27,538	22,530
Other assets	1,458	2,625
Current assets	157,843	142,891
Current liabilities	(125,817)	(116,074)
	61,022	51,972
Capital commitments – contracted but not provided for	1,819	5,643

15 Other investments

	Group	
	2003 US$'000	2002 US$'000
Equity securities listed in Hong Kong, at cost	281	281
Equity securities listed outside Hong Kong, at cost	965	-
Unlisted investments, at cost	1,452	500
Provision for impairment in value	(245)	(179)
	2,453	602

	Company	
	2003 US$'000	2002 US$'000
Equity securities listed in Hong Kong, at cost	281	281
Provision for impairment in value	(245)	(179)
	36	102
Market value of listed investments	36	88

Notes to the Accounts

16 Inventories

	Group 2003 US$'000	2002 US$'000
Finished goods	237,018	120,568
Raw materials	80,109	48,801
Work-in-progress	8,704	2,902
Production supplies	1,994	1,700
	327,825	173,971

At 31st December 2003, inventories of the Group with cost of approximately HK$41,551,000 (2002: HK$55,335,000) were stated at the net realizable value of approximately US$40,462,000 (2002: US$51,667,000).

At 31st December 2003, the carrying amount of inventories that are pledged as security for liabilities amounted to US$50,000,000 (2002: US$46,000,000).

17 Trade receivables

The ageing analysis of trade receivables is as follows:

	Group 2003 US$'000	2002 US$'000
0 – 30 days	178,906	106,507
31 – 60 days	180,752	54,127
61 – 90 days	46,554	25,074
91 – 120 days	8,294	6,645
Over 120 days	9,735	10,826
	424,241	203,179

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

18 Trade amount due from an associated company

The aging analysis of trade amount due from an associated company is as follows:

	Group 2003 US$'000	2002 US$'000
0 – 30 days	7,587	6,365
31 – 60 days	4,978	7,941
61 – 90 days	7,140	1,474
91 – 120 days	5,186	-
	24,891	15,780

The amount due from an associated company is unsecured, interest-free and have normal commercial terms of repayment.

Notes to the Accounts

19 Trade payables

The ageing analysis of trade payables is as follows:

	Group 2003 US$'000	Group 2002 US$'000
0 – 30 days	254,273	127,238
31 – 60 days	135,467	78,950
61 – 90 days	105,972	74,277
Over 90 days	95,206	111,853
	590,918	392,318

20 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.

21 Warranty provisions

	Group 2003 US$'000	Group 2002 US$'000
At 1st January	10,300	8,571
Charged to the profit and loss account	20,964	12,355
Utilized during the year	(16,212)	(10,626)
At 31st December	15,052	10,300

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from twelve months to thirty-six months. The provision as at 31st December 2003 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.

22 Pledge of assets

Approximately US$16,160,000 (2002: US$33,900,000) of fixed assets, US$50,000,000 (2002: US$46,000,000) of inventories and US$11,407,000 (2002: US$36,494,000) of bank deposits have been pledged as security for the general banking facilities amounting to US$198,500,000 (2002: US$477,000,000) granted to the Group. At the balance sheet date, the amount so utilized amounted to approximately US$88,848,000 (2002: US$10,928,000).

Notes to the Accounts

23 Share capital

	2003 US$'000	2002 US$'000
Authorized:		
4,000,000,000 (2002: 4,000,000,000) ordinary shares of US$0.01 each	40,000	40,000
Issued and fully paid:		
1,350,773,264 (2002: 1,332,515,264) ordinary shares of US$0.01 each	13,508	13,325

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 2002	1,332,515,264	13,325
Issue of shares pursuant to exercise of share options (Note (a))	18,400,000	184
Repurchase of shares (Note (b))	(142,000)	(1)
At 31st December 2003	1,350,773,264	13,508

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

(a) During the year, 18,400,000 new shares were issued upon exercise of options under the share option scheme approved by the shareholders of the Company 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) During the year, the Company repurchased a total of 142,000 of its own shares through The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.89 (US$0.242) to HK$1.90 (US$0.244) per share, for a total consideration of approximately HK$269,380 (US$34,536). The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares was transferred from retained profits to share redemption reserve and the premium paid on the repurchased shares was charged against the share premium account (Note 24).

At the annual general meeting of the Company held on 15th May 2003, the shareholders approved the adoption of a new share option scheme (the "New Scheme") and the termination of the operation of the Company's share option scheme adopted on 21st September 1999 (the "Previous Scheme"), such that no further options shall thereafter be offered under the Previous Scheme but the provisions of the Previous Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the date of its termination. Under the New Scheme, the Company may grant options to employees of the Group to subscribe for shares in the Company. During the year, 1,590,000 (2002: 1,922,000) of these options lapsed in connection with the cessation of employment of certain employees.

23 Share capital (Continued)

Movements in the Company's share options during the year ended 31st December 2003 are set out below:

			Number of share options				
Date of grant	Note	Exercise price	At 1st January 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 31st December 2003
26th February 2001	(a)	HK$0.670	49,536,000	-	(18,400,000)	-	31,136,000
2nd May 2002	(b)	HK$3.300	37,140,000	-	-	(1,166,000)	35,974,000
1st August 2002	(c)	HK$2.325	31,796,000	-	-	(424,000)	31,372,000
3rd November 2003	(d)	HK$4.140	-	35,620,000	-	-	35,620,000

Notes:

(a) These 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.

(b) These 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.

(c) These options are exercisable at HK$2.325 (US$0.30) per share in two trenches: the maximum percentage of options exercisable within the periods commencing from 8th June 2004 to 31st July 2007 and from 8th June 2005 to 31st July 2007 are 50% and 100%, respectively.

(d) These options are exercisable at HK$4.14 (US$0.53) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2004 to 2nd November 2008, from 8th June 2005 to 2nd November 2008 and from 8th June 2006 to 2nd November 2008 are 20%, 50% and 100%, respectively.

Options exercised during the year resulted in 18,400,000 (2002: 12,134,000) ordinary shares being issued at HK$0.67 (US$0.09), yielding the following proceeds:

	2003 US$'000	2002 US$'000
Ordinary share capital - at par	184	121
Share premium	1,388	921
Proceeds	1,572	1,042

Fair value of shares issued at exercise date of:	US$'000
27th February 2003	4,244
19th March 2003	480
14th April 2003	178
7th May 2003	61
9th May 2003	21
30th July 2003	336
15th August 2003	67
24th October 2003	69

Notes to the Accounts

24 Reserves

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Group Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2002, as previously reported	28,129	4,166	11	(7,169)	13,989	10,001	97,454	146,581
Effect of adopting SSAP 12 -Recognition of deferred tax assets (Note 27)	-	-	-	-	-	-	3,920	3,920
At 1st January 2002, as restated	28,129	4,166	11	(7,169)	13,989	10,001	101,374	150,501
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	-	-	-	-	-	-	51,315	51,315
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	141,068	234,917
Represented by:								
Reserves	66,395	8,461	11	(7,013)	15,994	10,001	134,055	227,904
Proposed final dividend	-	-	-	-	-	-	7,013	7,013
At 31st December 2002	66,395	8,461	11	(7,013)	15,994	10,001	141,068	234,917
Company and subsidiaries	66,395	8,461	11	(6,985)	15,994	10,001	132,342	226,219
Associated companies	-	-	-	(28)	-	-	8,726	8,698
At 31st December 2002	66,395	8,461	11	(7,013)	15,994	10,001	141,068	234,917

Notes to the Accounts

24 Reserves (Continued)

	Group							
	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2003, as previously reported	66,395	8,461	11	(7,013)	15,994	10,001	136,932	230,781
Effect of adopting SSAP 12 -Recognition of deferred tax assets (Note 27)	-	-	-	-	-	-	4,136	4,136
At 1st January 2003, as restated	66,395	8,461	11	(7,013)	15,994	10,001	141,068	234,917
Issue of new shares pursuant to exercise of share options, net of expenses	1,388	-	-	-	-	-	-	1,388
Repurchase of shares	(33)	-	1	-	-	-	(1)	(33)
Profit for the year	-	-	-	-	-	-	69,584	69,584
Dividends paid:								
2002 final	-	-	-	-	-	-	(7,013)	(7,013)
2003 interim	-	-	-	-	-	-	(4,184)	(4,184)
Transfer from retained profits	-	-	-	-	1,191	-	(1,191)	-
Exchange difference	-	-	-	427	-	-	-	427
At 31st December 2003	67,750	8,461	12	(6,586)	17,185	10,001	198,263	295,086
Represented by:								
Reserves	67,750	8,461	12	(6,586)	17,185	10,001	182,838	279,661
Proposed final dividend	-	-	-	-	-	-	15,425	15,425
At 31st December 2003	67,750	8,461	12	(6,586)	17,185	10,001	198,263	295,086
Company and subsidiaries	67,750	8,461	12	(6,558)	17,185	10,001	185,404	282,255
Associated companies	-	-	-	(28)	-	-	12,859	12,831
At 31st December 2003	67,750	8,461	12	(6,586)	17,185	10,001	198,263	295,086

Notes to the Accounts

24 Reserves (Continued)

	Share premium US$'000	Share redemption reserve US$'000	Company Contributed surplus (Note (c)) US$'000	Retained profits US$'000	Total US$'000
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 final dividend	-	-	-	7,013	7,013
At 31st December 2002	66,395	11	40,900	9,949	117,255
At 1st January 2003	66,395	11	40,900	9,949	117,255
Issue of new shares pursuant to exercise of share options, net of expenses	1,388	-	-	-	1,388
Repurchase of shares	(33)	1	-	(1)	(33)
Profit for the year	-	-	-	12,453	12,453
Dividends paid:					
2002 final	-	-	(7,013)	-	(7,013)
2003 interim	-	-	-	(4,184)	(4,184)
At 31st December 2003	67,750	12	33,887	18,217	119,866
Represented by:					
Reserves	67,750	12	33,887	2,792	104,441
Proposed final dividend	-	-	-	15,425	15,425
At 31st December 2003	67,750	12	33,887	18,217	119,866

Notes to the Accounts

24 Reserves (Continued)

Notes:

(a) In accordance with 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 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 2003, 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 aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganisation (the "Reorganisation"), which was completed on 21st September 1999, in preparation for 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 Reorganisation 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.

25 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 2003 and 31st December 2002 by KPMG Consulting Co. Ltd., Taiwan, and the deficit between the pension asset and present value of the obligation as at 31st December 2003 is recognized in the profit and loss account in 2003.

The amount recognized in the balance sheet is determined as follows:

	Group	
	2003 US$'000	2002 US$'000
Present value of funded obligations	3,578	2,672
Fair value of plan assets	(535)	(366)
	3,043	2,306
Unrecognized actuarial losses to be amortized	(1,141)	(925)
Liability in the balance sheet	1,902	1,381

Notes to the Accounts

25 Pension obligations (Continued)

Movement in the liability recognized in the balance sheet:

	Group	
	2003 US$'000	2002 US$'000
At 1st January	1,381	-
Total expense, included in staff costs (Note 9)	669	1,493
Contributions paid	(148)	(112)
At 31st December	1,902	1,381

The principal actuarial assumptions used were as follows:

	2003 %	2002 %
Discount rate	3.50	3.75
Expected rate of return on plan assets	3.50	3.75
Expected rate of future salary increases	3.00	3.00

26 Long-term bank loans, unsecured

The long-term bank loans are repayable as follows:

	Group and Company	
	2003 US$'000	2002 US$'000
Within one year	25,000	-
In the second year	25,750	25,000
In the third to the fifth year	2,250	25,000
	53,000	50,000
Less: Amounts repayable within one year included under current liabilities	(25,000)	-
	28,000	50,000

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

Notes to the Accounts

27 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable taxation rates prevailing in the countries/places in which the Group operates.

The movement on the deferred tax assets account is as follows:

	Group	
	2003 US$'000	2002 US$'000
As at 1st January	4,136	3,920
Deferred taxation credited to profit and loss account (Note 5)	1,094	216
As at 31st December	5,230	4,136

No deferred taxation was charged to equity during the year (2002: Nil).

The movement in deferred tax assets during the year is as follows:

Deferred tax assets	Provisions		Unrealized profit		Total	
	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000
At 1st January	3,284	3,076	852	844	4,136	3,920
Credited to profit and loss account	305	208	789	8	1,094	216
As at 31st December	3,589	3,284	1,641	852	5,230	4,136

28 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash (used in)/inflow from operating activities

	2003 US$'000	2002 US$'000
Operating profit	75,859	55,546
Interest income	(1,393)	(1,274)
Depreciation	13,577	16,616
Amortization of intangible assets	520	520
Loss/(gain) on disposal of fixed assets	315	(80)
Provision for impairment in value of other investments	66	-
Operating profit before working capital charges	88,944	71,328
(Increase)/decrease in net amounts due from associated companies	(14,966)	45,914
Increase in trade receivables	(221,062)	(10,350)
Increase in deposits, prepayments and other receivables	(4,073)	(25,172)
Increase in inventories	(153,854)	(43,936)
Increase in trade payables	198,600	68,127
Increase in warranty provisions, other payables and accruals	20,464	12,017
Net cash (used in)/inflow from operations	(85,947)	117,928

Notes to the Accounts

28 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans		Pledged bank deposits	
	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000
At 1st January	79,720	40,283	60,928	26,461	(36,494)	(36,662)
Issue of new shares	1,572	39,437	-	-	-	-
Repurchase of shares	(34)	-	-	-	-	-
Net inception/ (repayment) of short-term loans	-	-	70,493	(15,533)	-	-
New long-term bank loan raised	-	-	3,000	50,000	-	-
Decrease in pledged bank deposits	-	-	-	-	25,087	168
At 31st December	81,258	79,720	134,421	60,928	(11,407)	(36,494)

29 Contingent liabilities

(a) Corporate guarantees

	Group		Company	
	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000
Guarantees in respect of banking facilities granted to:				
- subsidiaries	-	-	579,396	600,130
- an associated company	13,075	15,036	-	-
	13,075	15,036	579,396	600,130

(b) At 31st December 2003, the Group had outstanding commitment in respect of forward contracts in order to hedge the Group's exposure in foreign currencies from its operations as follows:

	2003 US$'000	2002 US$'000
Sell Euros for US dollars	20,535	57,100
Sell Japanese Yen for US dollars	1,366	-
Sell US dollars for Renminbi	395,000	-

29 Contingent liabilities (Continued)

(c) In April 2003, a third party company commenced legal action in the United States of America against the Company and one of its associated companies. This action claims damages related to alleged infringement of certain patents in respect of liquid crystal display technology (the "Patents-in-suit").

It is alleged among other matters that:

(i) the Company incorporated certain LCD panels that infringed the Patents-in-suit into computer products, such as monitors;
(ii) the associated company as the Company's distributor imports into and sells in the United States computer products that include such LCD panels, including monitors sold under the brand name AOC; and
(iii) the Company , the associated company and the supplier of the LCD panels are working in concert to import and sell in the United States of America infringing LCD panels (and/or products with infringing LCD panels incorporated therein).

The directors are of the opinion that while discovery is still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(d) In September 2003, a third party company commenced legal action in the United States of America against an associated company of the Group and other third party companies. This action claims damages related to alleged infringement of certain patents in respect of liquid crystal display technology (the "Patents-in-suit").

As far as this associated company is concerned, it is alleged among other matters that:

(i) it has directly infringed, contributory infringed and/or actively induced infringement of the Patents-in-suit by making, using, importing, offering for sale and/or selling in the United States of America its supplier's LCD modules and products and systems containing such LCD modules covered by one or more claims of the Patents-in-suit;
(ii) its infringement of the Patents-in-suit has been and continued to be deliberate and willful and such infringement will continue unless it is preliminarily and permanently enjoined; and
(iii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages by such acts in an amount to be determined at trial and will continue to suffer irreparable loss and injury.

The directors are of the opinion that while discovery is still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(e) In December 2003, in light of threatened claim for infringement of patents, the Group and one of its associated companies filed a complaint in the United States of America against two third party companies. Under this complaint, they seek a judicial declaration from the court that they have not infringed, contributed to or actively induced such infringement of the patents of display data channel technology (the "Patents-in-suit") and/or the Patents-in-suit are invalid and unenforceable.

The directors are of the opinion that while discovery is still ongoing, it is not probable to assess the outcome of the application of the judicial declaration. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

29 Contingent liabilities (Continued)

(f) In February 2004, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns claims for damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD (the "Patents-in-suit").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have infringed, actively induced and/or contributed to the infringement of the Patents-in-suit by making, using, causing to be used, offering to sell, causing to be offered for sale, selling, causing to be sold, importing and/or causing to be imported LCDs and/or LCD products in the United States of America; and

(ii) as a consequence of the infringement, the Plaintiff has been damaged and will continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while discovery is still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

30 Commitments

(a) Capital commitments for plant and equipment

	2003 US$'000	2002 US$'000
Contracted but not provided for	2,879	267

(b) Commitments under operating leases

At 31st December 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building as follows:

	2003 US$'000	2002 US$'000
Not later than one year	894	1,062
Later than one year and not later than five years	492	782
Later than five years	58	175
	1,444	2,019

Notes to the Accounts

31 Related party transactions

Parties are considered to be related if one party 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. Parties are also considered to be related if they are subject to common control or common significant influence.

Other than the information as disclosed in Note 29(a) in relation to guarantees given 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:

	Note	2003 US$'000	2002 US$'000
Sales of finished goods to associated companies	(a)	93,531	256,248
Commission paid to an associated company	(b)	(7,674)	(5,028)
Purchases of raw materials, fixed assets and low value consumables from associated companies	(c)	(16,892)	(78,761)
Purchases of raw materials from a subsidiary of a major shareholder of the Company	(d)	(105,773)	(86,250)
Technical support service fee received from an associated company	(e)	3,514	2,884
Warranty cost recovery from an associated company	(f)	2,415	2,408
Contribution from a shareholder		-	4,295

Notes:

(a) Sales of finished goods to associated companies were conducted in the normal course of business at prices and terms as agreed by the transacting parties.

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

(c) Purchases of raw materials, fixed assets and low value consumables from associated companies were conducted in the normal course of business at prices and terms as agreed by the transacting parties.

(d) Purchases of raw materials from a subsidiary of a major shareholder of the Company were conducted in the normal course of business at prices and terms as agreed by the transacting parties.

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

(f) Warranty cost recovery from an associated company was charged at terms as agreed between the transacting parties.

Notes to the Accounts

32 Subsequent events

In March 2004, the Company obtained a 42-month syndicated term loan facility of US$160,000,000 to finance its capital investment and working capital requirements. The loan is secured by unconditional and irrevocable guarantees issued by two subsidiaries of the Company, namely Top Victory International Limited and Top Victory Investments Limited. No loan draw-down has been made as at the date of approval of these accounts.

33 Approval of accounts

The accounts were approved by the board of directors on 6th April 2004.