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 Institute of Certified Public Accountants ("HKICPA"). The accounts have been prepared under the historical cost convention.

(b) Adoption of new accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Group accounting

(i) 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 and any related accumulated foreign currency translation reserve.

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) Group accounting (Continued)

(ii) 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 (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.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) 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 sheets 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 accounts are translated at average rates. Exchange differences arising in these cases are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary/associated company, the related cumulative exchange difference is included in the consolidated profit and loss account as part of the gain or loss on disposal.

(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/associated company at the date of acquisition. Goodwill on acquisitions is recognized as an asset in the balance sheet and is 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.

1 Principal accounting policies (Continued)

(e) Fixed Assets

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

Land use rights 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
Furniture, fixtures and miscellaneous equipment	1 to 5 years

Major costs incurred in restoring the fixed assets to their normal working condition 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.

(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 less any accumulated impairment losses.

(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.

1 Principal accounting policies (Continued)

(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 amount of such investments 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 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, cash investments of three months or less from the date of investment 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 investments in subsidiaries and associated companies, 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.

(m) 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 obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

1 Principal accounting policies (Continued)

(m) Provision (Continued)

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.

(n) Contingent liabilities and contingent assets

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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognized.

(o) 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.

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

(p) Government grants

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

(q) 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.

1 **Principal accounting policies (Continued)**

(q) Employee benefits (Continued)

(ii) Bonus plans

The expected cost of bonus payments wholly due within twelve months after the balance sheet date are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The subsidiaries of the Group in the People's Republic of China, 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 employees' salaries.

The Group's subsidiary in Taiwan participates in a defined benefit pension plan in accordance with the local statutory regulations. Under this plan, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of an independent actuary who carry out a full valuation of the plan each year. The pension obligation is measured as the present value of the estimated future cash outflows using the rate of return on high-quality fixed-income investments in Taiwan which have the 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 an expense on a straight-line basis over the average period until the benefits become vested.

The Group's contributions to defined benefits plans are charged to the profit and loss account in the period to which the contributions relate.

(r) 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 purpose are expensed as incurred as the directors consider that the related economic benefits generated have very limited useful lives.

(s) 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.

(t) 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.

1 Principal accounting policies (Continued)

(t) Segment reporting (Continued)

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:

	2004 US$'000	2003 US$'000
Turnover		
Sale of goods to third parties and related companies (Note 31)	**3,738,182**	2,135,381
Other revenue		
Interest income from bank deposits	**2,148**	1,393
Export incentives received (Note (a))	**2,720**	2,345
Technical support service fee income (Note (b))	**4,246**	3,514
Localization incentives received (Note (c))	**4,298**	-
Fiscal refund received	**-**	1,333
Miscellaneous income	**2,560**	1,816
	15,972	10,401
Total revenues	**3,754,154**	2,145,782

Notes:

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

(b) Technical support service fee income represents income from technical support service provided to third parties and an associated company (Note 31).

(c) Localization incentives received represent income on incentives provided by the local government in Brazil of localizing a subsidiary in a specific zone of Brazil. Pursuant to the local law in Brazil, this balance of localization incentives has been directly credited to reserves in local subsidiary accounts. In preparing these consolidated accounts, this balance of localization incentives was recognized as an income in current year and the same amount was appropriated to reserves as at 31st December 2004 (Note 24).

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments

	2004			
	LCD monitors US$'000	CRT monitors US$'000	Others (Note (a)) US$'000	Total US$'000
Turnover	2,661,683	983,166	93,333	3,738,182
Cost of goods sold	(2,529,990)	(884,204)	(91,842)	(3,506,036)
Other revenue excluding interest income, export incentives received and localization incentives received	4,846	1,790	170	6,806
Operating expenses	(44,177)	(75,379)	(4,853)	(124,409)
Segment results	92,362	25,373	(3,192)	114,543
Interest income				2,148
Export incentives received				2,720
Localization incentives received				4,298
Operating profit				123,709
Finance costs				(8,513)
Share of profits of associated companies				7,334
Profit before taxation				122,530
Taxation				(14,181)
Profit after taxation				108,349
Minority interests				(12)
Profit attributable to shareholders				108,337
Other information				
Capital expenditure	13,083	7,398	20,554	41,035
Depreciation	5,642	9,545	99	15,286
Amortization	370	151	-	521
Provision for impairment in value of other investments	-	-	582	582
Balance sheet				
Segment assets	720,875	354,803	-	1,075,678
Interests in associated companies				30,509
Unallocated assets				378,638
Total assets				1,484,825
Segment liabilities	(446,891)	(422,240)	-	(869,131)
Unallocated liabilities				(208,204)
Total liabilities				(1,077,335)

2 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	2003			
	LCD monitors US$'000	CRT monitors US$'000	Others (Note (a)) US$'000	Total US$'000
Turnover	1,246,805	846,855	41,721	2,135,381
Cost of goods sold	(1,186,266)	(751,499)	(39,260)	(1,977,025)
Other revenue excluding interest income, export incentives received and fiscal refund received	3,110	2,112	108	5,330
Operating expenses	(27,047)	(63,378)	(2,473)	(92,898)
Segment results	36,602	34,090	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	6,764	6,457	-	13,221
Depreciation	2,646	10,931	-	13,577
Amortization	302	218	-	520
Provision for impairment in value of other investments	-	-	66	66
Balance sheet				
Segment assets	448,700	429,978	-	878,678
Interests in associated companies				24,488
Unallocated assets				224,453
Total assets				1,127,619
Segment liabilities	(317,296)	(362,530)	-	(679,826)
Unallocated liabilities				(139,199)
Total liabilities				(819,025)

Notes:

(a) Others include sales of chassis, spare parts and CKD/SKD and capital expenditure in relation to a new office building and staff quarters, and provision for impairment in value of other investments.

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

2 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	2004			
	Turnover US$'000	Operating profit US$'000	Total assets US$'000	Capital expenditure US$'000
Europe	**1,105,477**	**44,928**	**21,138**	**-**
North America	**1,208,791**	**23,115**	**250,434**	**3**
South America	**75,972**	**1,108**	**50,421**	**1,455**
Africa	**14,310**	**316**	**-**	**-**
Australia	**95,213**	**3,874**	**-**	**-**
Asia				
- PRC	**717,820**	**37,140**	**791,014**	**25,658**
- other Asian countries	**520,599**	**13,228**	**341,309**	**13,919**
	3,738,182	**123,709**	**1,454,316**	**41,035**
Interests in associated companies			**30,509**	
Total assets			**1,484,825**	

	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	

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

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

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2004 US$'000	2003 US$'000
Crediting		
Net exchange gains	**9,807**	4,121
Write-back of provision for bad and doubtful debts	**-**	1,862
Unrealized gain on forward contracts	**5,361**	-
Charging		
Staff costs (including directors' emoluments) (Note 9)	**52,259**	34,983
Depreciation	**15,286**	13,577
Operating lease rental for land and buildings	**1,294**	979
Purchase commission	**4,972**	183
Donations	**121**	38
Auditors' remuneration	**428**	309
Amortization of intangible assets (included in administrative expenses)	**521**	520
Provision for warranty	**26,840**	20,964
Provision for bad and doubtful debts	**3,231**	-
Loss on disposal of fixed assets	**137**	315
Provision for impairment in value of other investments	**582**	66
Write-down of inventories to net realizable value	**9,644**	1,089

4 Finance costs

	2004 US$'000	2003 US$'000
Interest on bank borrowings wholly repayable within five years	**8,513**	3,768

No borrowing costs were capitalized during the years ended 31st December 2003 and 2004.

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 (2003: 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 an Economic and Technological Development Zone in the PRC, is subject to the PRC enterprise income tax at a rate of 15% in accordance with tax regulations in the PRC. TVE (FJ) is subject to the PRC enterprise income tax at a further reduced rate of 10% in accordance with the relevant tax regulations in the PRC because its export sales exceeded 70% of the total sales amount in 2004.

Another subsidiary, TPV Electronics (Fujian) Company Limited ("TPVE (FJ)"), which was established in an Economic and Technological Development Zone in the PRC, is subject to the PRC enterprise income tax at a rate of 15% in accordance with tax regulations in the PRC. However, it is exempted from the PRC enterprise income tax for two years starting from the first year of profitable operations, followed by a 50% reduction for three years. TPVE (FJ) was entitled to full tax exemption in 2002 and 2003. In 2004, TPVE (FJ) is subject to a reduced tax rate of 7.5%.

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

	2004 **US$'000**	2003 US$'000
Overseas taxation		
- current year	**11,985**	5,920
- under-provision in prior years	**1,400**	1,500
Deferred taxation relating to the origination and reversal of temporary differences (Note 27)	**189**	(1,094)
	13,574	6,326
Share of taxation attributable to associated companies	**607**	358
	14,181	6,684

5 Taxation (Continued)

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:

	2004 **US$'000**	2003 US$'000
Profit before taxation	**122,530**	76,268
Calculated at a taxation rate of 15% (2003: 15%)	**18,380**	11,440
Tax effect of different taxation rates in other countries	**285**	158
Tax effect of income not subject to taxation	**(3,883)**	(2,656)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(8,600)**	(6,370)
Tax effect of expenses not deductible for taxation purposes	**6,599**	2,612
Under-provision in prior years	**1,400**	1,500
Taxation charge	**14,181**	6,684

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$7,619,000 (2003: US$12,453,000).

7 Dividends

	2004 **US$'000**	2003 US$'000
Interim, paid, of US0.50 cent (2003: US0.31 cent) per ordinary share	**7,010**	4,184
Final, proposed, of US1.59 cents (2003: US1.12 cents) per ordinary share	**22,320**	15,425
	29,330	19,609

The directors proposed on 30th March 2005 a final dividend of US1.59 cents per share (2003: US1.12 cents) 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 2005.

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 approximately US$108,337,000 (2003: US$69,584,000).

The basic earnings per share is based on the weighted average number of 1,385,343,223 (2003: 1,347,211,897) ordinary shares in issue during the year.

The fully diluted earnings per share is based on 1,390,294,575 (2003: 1,382,219,083) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 4,951,352 (2003: 35,007,186) 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)

	2004 **US$'000**	2003 US$'000
Wages, salaries and welfare	**50,775**	34,020
Unutilized annual leave	**63**	48
Pension costs - defined contribution plans	**491**	246
Pension costs - defined benefit plans (Note 25)	**930**	669
	52,259	34,983

10 Directors' emoluments and senior management's emoluments

(a) Directors' remuneration

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

	2004 **US$'000**	2003 US$'000
Fees	**72**	72
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,213**	989
	1,285	1,061

Directors' fees disclosed above include US$71,795 (2003: US$71,795) paid to independent non-executive directors.

None of the directors waived any of their emoluments during the year (2003: Nil).

No incentive payment for joining the Group or compensation for loss of office was paid/payable to any director during the year (2003: Nil).

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

(a) Directors' remuneration (Continued)

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	**2004**	2003
US$Nil to US$128,205 (equivalent to HK$Nil to HK$1,000,000)	**9**	10
US$128,206 to US$192,308 (equivalent to HK$1,000,001 to HK$1,500,000)	**-**	-
US$192,309 to US$256,410 (equivalent to HK$1,500,001 to HK$2,000,000)	**3**	2
US$256,411 to US$320,512 (equivalent to HK$2,000,001 to HK$2,500,000)	**-**	-
US$320,513 to US$384,614 (equivalent to HK$2,500,001 to HK$3,000,000)	**-**	1
US$384,615 to US$448,718 (equivalent to HK$3,000,001 to HK$3,500,000)	**-**	-
US$448,719 to US$512,821 (equivalent to HK$3,500,001 to HK$4,000,000)	**1**	-
	13	13

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable for the remaining three (2003: two) individuals during the year are as follows:

	2004	2003
	US$'000	US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**709**	465

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2004**	2003
US$192,309 to US$256,410 (equivalent to HK$1,500,001 to HK$2,000,000)	**2**	1
US$256,411 to US$320,512 (equivalent to HK$2,000,001 to HK$2,500,000)	**1**	1
	3	2

11 Intangible assets

	Group Goodwill US$'000	Group Trademarks US$'000	Group Total US$'000
Year ended 31st December 2004			
At 1st January 2004	**5,293**	**533**	**5,826**
Amortization charge	**(468)**	**(53)**	**(521)**
At 31st December 2004	**4,825**	**480**	**5,305**
At 31st December 2004			
Cost	**7,010**	**800**	**7,810**
Accumulated amortization	**(2,185)**	**(320)**	**(2,505)**
Net book amount	**4,825**	**480**	**5,305**
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

	Company Trademarks US$'000
Year ended 31st December 2004	
At 1st January 2004	**533**
Amortization charge	**(53)**
At 31st December 2004	**480**
At 31st December 2004	
Cost	**800**
Accumulated amortization	**(320)**
Net book amount	**480**
At 31st December 2003	
Cost	800
Accumulated amortization	(267)
Net book amount	533

12 Fixed assets

	Group									
	Land use rights outside Hong Kong - long term US$'000	Buildings outside Hong Kong US$'000	Leasehold improve-ments US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transport-ation equipment US$'000	Furniture, fixtures and miscell-aneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
At cost:										
At 1st January 2004	**1,222**	**12,869**	**2,855**	**17,545**	**33,849**	**30,985**	**951**	**5,367**	**1,733**	**107,376**
Exchange adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43**	**-**	**43**
Additions	**6,779**	**10,401**	**689**	**3,886**	**11,869**	**5,168**	**436**	**1,182**	**625**	**41,035**
Disposals	**-**	**-**	**-**	**(2,476)**	**(241)**	**(353)**	**-**	**(75)**	**-**	**(3,145)**
At 31st December 2004	**8,001**	**23,270**	**3,544**	**18,955**	**45,477**	**35,800**	**1,387**	**6,517**	**2,358**	**145,309**
Accumulated depreciation:										
At 1st January 2004	**144**	**4,575**	**869**	**10,742**	**27,686**	**20,319**	**607**	**2,576**	**-**	**67,518**
Exchange adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**-**	**42**
Charge for the year	**22**	**625**	**293**	**1,129**	**8,070**	**4,404**	**119**	**624**	**-**	**15,286**
Disposals	**-**	**-**	**-**	**(2,475)**	**(152)**	**(319)**	**-**	**(62)**	**-**	**(3,008)**
At 31st December 2004	**166**	**5,200**	**1,162**	**9,396**	**35,604**	**24,404**	**726**	**3,180**	**-**	**79,838**
Net book value:										
At 31st December 2004	**7,835**	**18,070**	**2,382**	**9,559**	**9,873**	**11,396**	**661**	**3,337**	**2,358**	**65,471**
At 31st December 2003	1,078	8,294	1,986	6,803	6,163	10,666	344	2,791	1,733	39,858

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

At 31st December 2004, 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$6,881,000 (2003: US$16,160,000) (Note 22).

13 Investment in subsidiaries

	Company	
	2004 US$'000	2003 US$'000
Unlisted shares in a subsidiary, at cost	**59,066**	59,066
Amount due from a subsidiary	**232,069**	125,602
	291,135	184,668

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

13 Investment in subsidiaries (Continued)

Particulars of major subsidiaries as at 31st December 2004 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 into1,000 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	60,000,000 ordinary shares of NT$10 each	100%
Top Victory Electronics (Fujian) Company Limited (Note (b))	People's Republic of China	Production and sale 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 sale of computer monitors	Paid-in capital of US$29,800,000	100%
TPV Technology (Wuhan) Co., Ltd (Note (b))	People's Republic of China	Production and sale of computer monitors	Paid-in capital of US$16,880,000	100%

13 Investment in subsidiaries (Continued)

Particulars of major subsidiaries as at 31st December 2004 are as follows (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 Display Technology (Wuhan) Co., Ltd (Note (b))	People's Republic of China	Production and sale of computer monitors	Paid-in capital of US$12,000,000	100%
AOC do Brasil Monitores Ltda.	Brazil	Sale and distribution of computer monitors	12,054,599 ordinary shares of Reais $1 each	99.56%
AOC International (Europe) GmbH	Germany	Sale and distribution of computer monitors	1 ordinary share of DEM450,000 (€230,081) each	100%
TPV International (USA), Inc.	United States of America	Sale and distribution of computer monitors	1,000,000 ordinary shares of US$1 each	100%
TPV International (Netherlands) B.V.	The Netherlands	Provision of after-sale services	5,000 ordinary shares of €100 each	100%
Envision Industria de Productos Electronicos Ltda.	Brazil	Production and sale of computer monitors	11,593,550 ordinary shares of Reais $1 each	99.57%

Notes:

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

(b) These 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 2004 US$'000	Group 2003 US$'000
Unlisted shares, at cost	**14,405**	14,405
Share of post-acquisition reserves	**16,104**	10,083
Share of net assets	**30,509**	24,488

Particulars of associated companies as at 31st December 2004 are as follows:

Name	Country/place of incorporation (Note (a))	Principal activities	Particulars of issued share 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")	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 2004 is as follows:

	2004 US$'000	2003 US$'000
Unlisted shares, at cost	**14,165**	14,165
Share of post-acquisition reserves	**16,107**	10,148
Share of net assets	**30,272**	24,313

14 Interests in associated companies (Continued)

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

(a) Results:

	2004 US$'000	2003 US$'000
Turnover	**528,342**	379,027
Profit after taxation	**11,503**	10,598
Group's share of profit after taxation	**6,665**	3,786

(b) Net assets as at 31st December:

	2004 US$'000	2003 US$'000
Fixed assets	**31,674**	27,538
Other assets	**292**	1,458
Current assets	**190,315**	157,843
Current liabilities	**(149,756)**	(125,817)
	72,525	61,022

BJOTV had no material contingent liabilities as at 31st December 2003 and 2004.

15 Other investments

	Group	
	2004 US$'000	2003 US$'000
Equity securities listed in Hong Kong, at cost	**281**	281
Equity securities listed outside Hong Kong, at cost	**1,033**	965
Less: provision for impairment in value	**(827)**	(245)
	487	1,001
Unlisted investments, at cost	**1,520**	1,452
	2,007	2,453
Market value of listed investments	**440**	1,001

15 Other investments (Continued)

	Company	
	2004	2003
	US$'000	US$'000
Equity securities listed in Hong Kong, at cost	**281**	281
Less: provision for impairement in value	**(266)**	(245)
	15	36
Market value of listed investments	**15**	36

16 Inventories

	Group	
	2004	2003
	US$'000	US$'000
Finished goods	**276,611**	237,018
Raw materials	**116,705**	80,109
Work-in-progress	**7,304**	8,704
Production supplies	**2,320**	1,994
	402,940	327,825

At 31st December 2004, inventories of the Group with cost of approximately US$144,756,000 (2003: US$41,551,000) were stated at the net realizable value of approximately US$134,854,000 (2003: US$40,462,000).

At 31st December 2004, the carrying amount of inventories that are pledged as security for banking facilities amounted to US$20,000,000 (2003: US$50,000,000) (Note 22).

17 Trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2004	2003
	US$'000	US$'000
0 – 30 days	**333,576**	178,906
31 – 60 days	**149,310**	180,752
61 – 90 days	**83,266**	46,554
91 – 120 days	**9,297**	8,294
Over 120 days	**3,781**	9,735
	579,230	424,241

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

18 Trade amount due from an associated company

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

	Group	
	2004	2003
	US$'000	US$'000
0 – 30 days	**6,165**	7,587
31 – 60 days	**3,199**	4,978
61 – 90 days	**6,216**	7,140
91 – 120 days	**1**	5,186
	15,581	24,891

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

19 Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2004	2003
	US$'000	US$'000
0 – 30 days	**231,932**	254,273
31 – 60 days	**236,913**	135,467
61 – 90 days	**143,777**	105,972
Over 90 days	**137,132**	95,206
	749,754	590,918

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 terms of repayment.

21 Warranty provisions

	Group	
	2004	2003
	US$'000	US$'000
At 1st January	**15,052**	10,300
Charged to the profit and loss account	**26,840**	20,964
Utilized during the year	**(20,982)**	(16,212)
At 31st December	**20,910**	15,052

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 2004 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$6,881,000 (2003: US$16,160,000) of fixed assets, US$20,000,000 (2003: US$50,000,000) of inventories and US$6,474,000 (2003: US$11,407,000) of bank deposits have been pledged as security for the general banking facilities amounting to US$188,000,000 (2003: US$198,500,000) granted to the Group. At the balance sheet date, the amount so utilized amounted to approximately US$59,579,000 (2003: US$88,848,000).

23 Share capital

	2004	2003
	US$'000	US$'000
Authorized:		
4,000,000,000 (2003: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
1,403,284,264 (2003: 1,350,773,264) ordinary shares of US$0.01 each	**14,033**	13,508

23 Share capital (Continued)

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

	2004 Number of issued ordinary shares of US$0.01 each	**2004** Par value US$'000	2003 Number of issued ordinary shares of US$0.01 each	2003 Par value US$'000
Beginning of year	**1,350,773,264**	**13,508**	1,332,515,264	13,325
Issue of shares pursuant to exercise of share options	**52,511,000**	**525**	18,400,000	184
Repurchase of shares	**-**	**-**	(142,000)	(1)
End of year	**1,403,284,264**	**14,033**	1,350,773,264	13,508

During the year, 52,511,000 (2003: 18,400,000) new shares were issued upon exercise of options under the share option schemes approved by the shareholders of the Company at exercise prices ranging from HK$0.67 to HK$4.14 (US$0.09 to US$0.53) per share. These shares rank pari passu with the existing shares of the Company.

As at 31st December 2004, the Company has share option schemes under which it may grant options to employees of the Group to subscribe for shares in the Company. During the year, 1,651,000 (2003: 1,590,000) of these options lapsed in connection with the cessation of employment of certain employees.

Movements in the Company's share options during the year ended 31st December 2004 are set out below:

			Number of share options				
Date of grant	Exercise price HK$	Note	At 1st January 2004	Granted during the year	Exercised during the year	Lapsed during the year	At 31st December 2004
26th February 2001	0.670	(a)	31,136,000	-	(30,172,000)	(125,000)	839,000
2nd May 2002	3.300	(b)	35,974,000	-	(13,575,000)	(693,000)	21,706,000
1st August 2002	2.325	(c)	31,372,000	-	(7,604,000)	(373,000)	23,395,000
3rd November 2003	4.140	(d)	35,620,000	-	(1,160,000)	-	34,460,000
20th May 2004	4.735	(e)	-	115,410,000	-	(460,000)	114,950,000

23 Share capital (Continued)

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, with an expiry date on 25th February 2006.

(b) These options are exercisable at HK$3.3 (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$0.3) 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.

(e) These options are exercisable at HK$4.735 (US$0.61) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2005 to 19th May 2009, from 8th June 2006 to 19th May 2009 and from 8th June 2007 to 19th May 2009 are 20%, 50% and 100%, respectively.

Options exercised during the year resulted in 52,511,000 (2003: 18,400,000) ordinary shares being issued at HK$0.67 (US$0.09), HK$3.3 (US$0.42), HK$2.325 (US$0.3) and HK$4.14 (US$0.53), yielding the following proceeds:

	2004 **US$'000**	2003 US$'000
Ordinary share capital - at par	**525**	184
Share premium	**10,692**	1,388
Proceeds	**11,217**	1,572

Fair value of shares issued at exercise date of:	**US$'000**
27th February 2004	**8,431**
15th March 2004	**7,338**
31st March 2004	**578**
10th May 2004	**377**
24th June 2004	**10,972**
9th July 2004	**3,332**
16th August 2004	**666**
27th August 2004	**136**
20th September 2004	**535**
18th October 2004	**435**
18th November 2004	**374**

24 Reserves

	Group							
	Share premium US$'000	Capital reserve (Note 2(c)) US$'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 2004	67,750	9,058	12	(6,586)	18,988	10,001	195,863	295,086
Issue of new shares pursuant to exercise of share options, net of expenses	10,692	-	-	-	-	-	-	10,692
Profit for the year	-	-	-	-	-	-	108,337	108,337
Dividends paid:								
2003 final	-	-	-	-	-	-	(15,444)	(15,444)
2004 interim	-	-	-	-	-	-	(7,010)	(7,010)
Transfer from retained profits	-	4,298	-	-	9,149	-	(13,447)	-
Exchange difference	-	-	-	1,784	-	-	-	1,784
At 31st December 2004	78,442	13,356	12	(4,802)	28,137	10,001	268,299	393,445
Represented by:								
Reserves	78,442	13,356	12	(4,802)	28,137	10,001	245,979	371,125
Proposed final dividend (Note 7)	-	-	-	-	-	-	22,320	22,320
At 31st December 2004	78,442	13,356	12	(4,802)	28,137	10,001	268,299	393,445
Company and subsidiaries	78,442	12,759	12	(4,774)	25,614	10,001	255,287	377,341
Associated companies	-	597	-	(28)	2,523	-	13,012	16,104
At 31st December 2004	78,442	13,356	12	(4,802)	28,137	10,001	268,299	393,445

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	9,058	11	(7,013)	17,134	10,001	135,195	230,781
Effect of adopting SSAP 12 - Recognition of deferred tax assets	-	-	-	-	-	-	4,136	4,136
At 1st January 2003, as restated	66,395	9,058	11	(7,013)	17,134	10,001	139,331	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	-	-	-	-	1,854	-	(1,854)	-
Exchange difference	-	-	-	427	-	-	-	427
At 31st December 2003	67,750	9,058	12	(6,586)	18,988	10,001	195,863	295,086
Represented by:								
Reserves	67,750	9,058	12	(6,586)	18,988	10,001	180,438	279,661
Proposed final dividend	-	-	-	-	-	-	15,425	15,425
At 31st December 2003	67,750	9,058	12	(6,586)	18,988	10,001	195,863	295,086
Company and subsidiaries	67,750	8,461	12	(6,558)	17,185	10,001	188,152	285,003
Associated companies	-	597	-	(28)	1,803	-	7,711	10,083
At 31st December 2003	67,750	9,058	12	(6,586)	18,988	10,001	195,863	295,086

24 Reserves (Continued)

Company

	Share premium US$'000	Share redemption reserve US$'000	Contributed surplus (Note (c)) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2004	**67,750**	**12**	**33,887**	**18,217**	**119,866**
Issue of new shares pursuant to exercise of share options, net of expenses	**10,692**	**-**	**-**	**-**	**10,692**
Profit for the year	**-**	**-**	**-**	**7,619**	**7,619**
Dividends paid:					
2003 final	**-**	**-**	**(15,444)**	**-**	**(15,444)**
2004 interim	**-**	**-**	**(7,010)**	**-**	**(7,010)**
At 31st December 2004	**78,442**	**12**	**11,433**	**25,836**	**115,723**
Represented by:					
Reserves	**78,442**	**12**	**11,433**	**3,516**	**93,403**
Proposed final dividend (Note 7)	**-**	**-**	**-**	**22,320**	**22,320**
At 31st December 2004	**78,442**	**12**	**11,433**	**25,836**	**115,723**
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

24 Reserves (Continued)

Notes:

(a) Reserve fund represents:

(i) 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.

(ii) In accordance with the relevant PRC regulations applicable to Chinese-foreign equity joint ventures, the associated company in the PRC is required to appropriate to reserve fund an amount of a total of 15% of the amount of profit after taxation, calculated based on PRC accounting standards.

(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 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.

25 Pension obligations

The balance represented the Group's obligations for a defined benefit plan to its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31st December 2004 and 2003 have been valued by KTMC Actuaries Co. in Taiwan, an independent actuary.

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

	Group	
	2004	2003
	US$'000	US$'000
Present value of funded obligations	**4,276**	3,578
Fair value of plan assets	**(739)**	(535)
Present value of unfunded obligations	**3,537**	3,043
Unrecognized actuarial losses	**(903)**	(1,141)
Liability in the balance sheet	**2,634**	1,902

25 Pension obligations (Continued)

Movement in the liability recognized in the balance sheet:

	Group	
	2004	2003
	US$'000	US$'000
At 1st January	**1,902**	1,381
Total expense, included in staff costs (Note 9)	**930**	669
Contributions paid	**(198)**	(148)
At 31st December	**2,634**	1,902

The principal actuarial assumptions used were as follows:

	2004	2003
	%	%
Discount rate	**3.50**	3.50
Expected rate of return on plan assets	**3.50**	3.50
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	
	2004	2003
	US$'000	US$'000
Within one year	**54,500**	25,000
In the second year	**67,500**	25,750
In the third to the fifth year	**51,000**	2,250
	173,000	53,000
Less: Amounts repayable within one year included under current liabilities	**(54,500)**	(25,000)
	118,500	28,000

26 Long-term bank loans, unsecured (Continued)

The long-term bank loans are repayable as follows (Continued):

	Company	
	2004	2003
	US$'000	US$'000
Within one year	**54,500**	25,000
In the second year	**57,500**	25,750
In the third to the fifth year	**51,000**	2,250
	163,000	53,000
Less: Amounts repayable within one year included under current liabilities	**(54,500)**	(25,000)
	108,500	28,000

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.

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.

Details of deferred taxation are as follows:

	Group	
	2004	2003
	US$'000	US$'000
Deferred tax assets	**5,161**	5,230
Deferred tax liabilities	**(120)**	-
As at 31st December	**5,041**	5,230

The movement on deferred taxation is as follows:

	Group	
	2004	2003
	US$'000	US$'000
As at 1st January	**5,230**	4,136
Deferred taxation (charged)/credited to profit and loss account (Note 5)	**(189)**	1,094
As at 31st December	**5,041**	5,230

No deferred taxation was charged to equity during the year (2003: Nil).

27 Deferred taxation (Continued)

The movement in deferred tax assets/(liabilities) during the year is as follows:

	Provisions		Unrealized profit		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**3,589**	3,284	**1,641**	852	**-**	-	**5,230**	4,136
(Charged)/credited to profit and loss account	**1,572**	305	**(1,750)**	789	**(11)**	-	**(189)**	1,094
As at 31st December	**5,161**	3,589	**(109)**	1,641	**(11)**	-	**5,041**	5,230

28 Notes to the consolidated cash flow statement

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

	2004	2003
	US$'000	US$'000
Operating profit	**123,709**	75,859
Interest income	**(2,148)**	(1,393)
Depreciation	**15,286**	13,577
Amortization of intangible assets	**521**	520
Loss on disposal of fixed assets	**137**	315
Provision for impairment in value of other investments	**582**	66
Operating profit before working capital charges	**138,087**	88,944
Decrease/(increase) in net amounts due from associated companies	**12,484**	(14,966)
Increase in trade receivables	**(154,989)**	(221,062)
Decrease/(increase) in deposits, prepayments and other receivables	**11,172**	(4,073)
Increase in inventories	**(75,115)**	(153,854)
Increase in trade payables	**158,836**	198,600
Increase in warranty provisions, other payables and accruals	**18,329**	20,464
Net cash inflow/(outflow) from operations	**108,804**	(85,947)

28 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium		Bank loans		Pledged bank deposits	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**81,258**	79,720	**134,421**	60,928	**(11,407)**	(36,494)
Issue of new shares	**11,217**	1,572	**-**	-	**-**	-
Repurchase of shares	**-**	(34)	**-**	-	**-**	-
Net (repayment)/ inception of short-term bank loans	**-**	-	**(48,971)**	70,493	**-**	-
New long-term bank loans	**-**	-	**145,000**	53,000	**-**	-
Repayment of long-term bank loans	**-**	-	**(25,000)**	(50,000)	**-**	-
Decrease in pledged bank deposits	**-**	-	**-**	-	**4,933**	25,087
At 31st December	**92,475**	81,258	**205,450**	134,421	**(6,474)**	(11,407)

29 Contingent liabilities

(a) Corporate guarantees

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Guarantees in respect of banking facilities granted to:				
- subsidiaries	**-**	-	**900,447**	579,396
- an associated company	**13,060**	13,075	**-**	-
	13,060	13,075	**900,447**	579,396

29 Contingent liabilities (Continued)

(b) 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 ("Patent I").

It is alleged among other matters that:

(i) the Company incorporated certain LCD panels that infringed Patent I 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 infringing LCD panels (and/or products with infringing LCD panels incorporated therein).

The directors are of the opinion that while the proceedings are 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.

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

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 Patent II by making, using, importing, offering for sale and/or selling in the United States of America the supplier's LCD modules and products and systems containing such LCD modules covered by one or more claims of Patent II;

(ii) its infringement of Patent II 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 the proceedings are 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 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 ("Patent III") and/or Patent III are invalid and unenforceable.

29 Contingent liabilities (Continued)

On 15th November 2004, the litigation was resolved through settlement among the parties, and all claims and counterclaims were dismissed with prejudice by the court of the United States of America. The directors consider that the settlement does not have any material financial impact on the Group as a whole.

(e) 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 certain 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 ("Patent IV").

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 Patent IV 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 the proceedings were stayed according to the court's Memorandum Order on 13th May 2004, 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.

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

The complaint concerns claims for damages related to alleged infringement of a patent in respect of systems with on-screen displays ("Patent V").

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

(i) they infringed, induced others to infringe and/or committed acts of contributory infringement of Patent V by, among others, manufacturing, using, selling, importing and/or offering for sale of monitors with on-screen display features encompassed by Patent V; and

(ii) as a consequence of the infringement, the third party company has been damaged during the period from March 1998 to May 1999 before the expiry of Patent V on 17th May 1999, unless the court grants an award of damages to it covering reasonably attorneys' fee, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion it is probable for the Group to reach a settlement of the litigation with the other party 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

	Group	
	2004	2003
	US$'000	US$'000
Contracted but not provided for	**2,699**	2,879

(b) Commitments under operating leases

At 31st December 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	US$'000	US$'000
Not later than one year	**1,125**	894
Later than one year and not later than five years	**412**	492
Later than five years	**-**	58
	1,537	1,444

(c) At 31st December 2004, the Group had outstanding commitment in respect of forward contracts against the Group's exposure in foreign currencies from its operations as follows:

	Group	
	2004	2003
	US$'000	US$'000
Sell Euros for US dollars	**3,796**	20,535
Sell Japanese Yen for US dollars	**-**	1,366
Sell US dollars for Renminbi	**440,000**	395,000
Sell Renminbi for US dollars	**425,000**	-

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.

31 Related party transactions (Continued)

Except as disclosed in notes 2, 13, 14, 18, 20, 26 and 29(a) to the accounts, significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Note	**2004**	2003
		US$'000	US$'000
Sale of raw materials and finished goods to associated companies	(a)	**95,666**	93,531
Commission paid to an associated company	(b)	**(262)**	(7,674)
Purchase of raw materials, finished goods, fixed assets and low value consumables from an associated company	(c)	**(162,901)**	(16,892)
Purchase of raw materials from a subsidiary of a major shareholder of the Company	(d)	**(87,028)**	(105,773)
Technical support service fee received from an associated company	(e)	**3,746**	3,514
Warranty cost recovery from an associated company	(f)	**2,716**	2,415

Notes:

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

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

(c) Purchase of raw materials, finished goods, fixed assets and low value consumables from an associated company were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(d) Purchase 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 between 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.

32 Other information

On 15th December 2004, the Company entered into a Letter of Intent ("LOI") with Koninklijke Philips Electronics N.V. ("Philips"), an independent third party, in connection with the proposed acquisition by the Company from Philips of its certain research, development and manufacturing activities in the fields of monitors and flat screen television and related OEM sales ("Philips Contributed Business"). The Philips Contributed Business should be valued at 30% of the enlarged market capitalization of the Company which will be satisfied by a combination of issuance of new shares by the Company, representing 15% of the enlarged issued share capital of the Company, and a convertible bond. Based on the LOI, the transaction value is estimated to be approximately US$358,000,000. At the date of the approval of these accounts, no definitive agreement in respect of the proposed acquisition has been reached between the Company and Philips.

33 Approval of accounts

The accounts were approved by the board of directors on 30th March 2005.