Notes to the Accounts

1 General information

TPV Technology Limited (the "Company") and its subsidiaries (together the "Group") designs, manufactures and sells computer monitors and flat TV products. The Group manufactures in the People's Republic of China ("PRC") and sells mainly to Europe, North and South America, PRC and other Asian countries.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The shares of the Company are primarily listed on The Stock Exchange of Hong Kong Limited and secondarily listed on the Singapore Exchange Securities Trading Limited.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

The adoption of new / revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2 **Summary of significant accounting policies** (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's accounting policies.

- HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. A majority of the Group entities have the same functional currency ("US dollar") as the presentation currency for respective entity accounts.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, land use rights were stated at cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1st January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7th November 2002 and had not yet vested on 1st January 2005 was expensed retrospectively in the profit and loss account of the respective periods (Note 2.17).

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

- Amortized on a straight line basis over a period of not more than 15 years; and

- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.7):

- The Group ceased amortization of goodwill from 1st January 2005;

- Accumulated amortization as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

- From the year ended 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

Notes to the Accounts

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice No. 24 ("SSAP 24") "Accounting for investments in securities" to other investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1st January 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and

– HKFRS 3 – prospectively after 1st January 2005.

(i) The adoption of HKAS 17 resulted in:

	31st December 2005 US$'000	31st December 2004 US$'000
Increase in land use rights	**12,589**	1,056
Decrease in property, plant and equipment	**(12,589)**	(1,056)

(ii) The adoption of HKAS 39 resulted in a decrease in opening reserves at 1st January 2005 by US$11,468,000 and the details of the adjustments to the balance sheet at 31st December 2005 and profit and loss account for the year ended 31st December 2005 are as follows:

	31st December 2005 US$'000
Increase in available-for-sale financial assets	**899**
Increase in derivative financial instruments (liabilities)	**(2,105)**
Decrease in other investments	**(899)**
Decrease in deposits, prepayments and other receivables	**(5,361)**
Decrease in available-for-sale financial assets fair value reserve	**1,027**
Increase in retained earnings	**(5,029)**

	Year ended 31st December 2005 US$'000
Decrease in administrative expenses	**(5,029)**
Increase in basic earnings per share	**0.33 cent**
Increase in diluted earnings per share	**0.30 cent**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) The adoption of HKFRS 2 resulted in:

	31st December 2005 US$'000	31st December 2004 US$'000
Increase in employee share-based compensation reserve	**(9,680)**	(4,931)
Decrease in retained earnings	**9,680**	4,931

	Year ended 31st December 2005 US$'000	Year ended 31st December 2004 US$'000
Increase in selling and distribution expenses	**1,316**	1,688
Increase in administrative expenses	**2,014**	1,571
Increase in research and development expenses	**1,419**	1,486
Decrease in basic earnings per share	**0.31 cent**	0.34 cent
Decrease in diluted earnings per share	**0.29 cent**	0.34 cent

(iv) The adoption of HKFRS 3 and HKAS 38 resulted in:

	31st December 2005 US$'000
Increase in intangible assets	**8,067**
Increase in retained earnings	**(8,067)**

	Year ended 31st December 2005 US$'000
Decrease in administrative expenses	**(8,067)**
Increase in basic earnings per share	**0.53 cent**
Increase in diluted earnings per share	**0.49 cent**

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

- HKAS 19 (Amendment), Employee Benefits (effective from 1st January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group has not decided whether to change the accounting policy for recognition of actuarial gains and losses and does not participate in any multi-employer plans, the impact of adoption of this amendment cannot be ascertained for the time being. The Group will apply this amendment from accounting periods beginning 1st January 2006.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are not yet effective (Continued)

- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1st January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31st December 2005 and 2004.

- HKAS 39 (Amendment), The Fair Value Option (effective from 1st January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from accounting periods beginning 1st January 2006.

- HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management believes that this amendment should not have a significant impact to the Group.

- HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1st January 2006). These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

- HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1st January 2006). HKFRS 6 is not relevant to the Group's operations.

- HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1st January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are not yet effective (Continued)

- HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1st January 2006). HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the Group's operations.

- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1st January 2006). HKFRS-Int 5 is not relevant to the Group's operations.

- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective from 1st December 2005). HK(IFRIC)-Int 6 is not relevant to the Group's operations.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated profit and loss account (see Note 2.7).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred.

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 by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(b) Transactions with minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.7).

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf 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 company. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 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 necessary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of land use rights, property, plant and equipment, inventories, receivables, and mainly exclude intangible assets, available-for-sale financial assets, 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 property, plant and equipment, land use rights and intangible assets.

2 **Summary of significant accounting policies** (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 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.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Notes to the Accounts

2 **Summary of significant accounting policies** (Continued)

2.7 Intangible assets (Continued)

(b) Trademarks

Trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (not more than 15 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries and associated companies as other investments.

Other investments represent long-term investments in unlisted securities which are stated at cost to the Group less provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to the fair value. The amount of the reduction is recognized as an expense in the profit and loss account.

From 1st January 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

2 **Summary of significant accounting policies** (Continued)

2.9 Financial assets (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet (Note 2.12).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising, from changes in the fair value of the "financial assets at fair value through profit or loss" category including interest and dividend income, are presented in the profit and loss account within "administrative expenses", in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as "gains and losses from investment securities". Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit and loss account - is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in Note 2.12.

2.10 Accounting for derivative financial instruments

From 1st January 2004 to 31st December 2004:

Derivative financial instruments are designated "non-hedging instruments". The transactions, though set up for the purpose of managing risk (since the Group's policy does not permit speculative transactions), have been designated as "trading". The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the profit and loss account on maturity to match the underlying hedged transactions where relevant.

From 1st January 2005 onwards:

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

The derivative instruments of the group do not qualify for hedge accounting. Changes in the fair value of the derivative instruments are recognized immediately in the profit and loss account within administrative expenses.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account within administrative expenses.

2 **Summary of significant accounting policies** (Continued)

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Translation costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The fair value of conversion option is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Deferred income tax

Deferred income tax 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 consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 **Summary of significant accounting policies** (Continued)

2.17 Employee benefits

(a) 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 lines 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.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and loss account with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 **Summary of significant accounting policies** (Continued)

2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(c) Sales of services

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

2.20 Research and development costs

Research costs are expensed as incurred.

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

2 Summary of significant accounting policies (Continued)

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the profit and loss account on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk factors

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Foreign exchange risk arises from net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through the use of forward contracts.

(ii) Price risk

The Group is exposed to commodity price risk.

Commodity price risk arises because the price of panel, a major component of the monitors, is highly dependent on its demand and supply and will have material fluctuation throughout the year. In order to minimize the risk, the Group reduces its stock on hand and only places orders of the panels when panels are needed for production.

(b) Credit risk

The Group has significant concentrations of credit risk. To minimize the risk, the Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory appropriate credit record.

3 Financial risk factors (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of credit facilities with staggered maturities to reduce refinancing risk in any year, to fund working capital and to close out market position if required. The Group maintains significant flexibility to respond to opportunities and events by ensuring that credit lines are available.

(d) Interest rate risk

The Group's interest rate risk arises from both long-term and short-term borrowings. The Group enters into debt obligations to support normal operations, including capital expenditures and working capital needs.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded and available-for-sale securities) is based on quoted market prices on the balance sheet date. The quoted market prices used for financial assets held by the Group are the prevailing bid prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing on each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debts. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair values of forward foreign exchange contracts are determined using forward exchange market rates on balance sheet dates.

The nominal values less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Taxes

The Group is subject to various taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current tax and deferred tax provisions in the year in which such determination is made.

4 Critical accounting estimates and judgements (Continued)

(b) Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from twelve to thirty-six months. Significant judgment is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and item replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the profit and loss account in the period in which the additional warranty expenses are incurred.

Were the actual final outcome (on the judgements areas) to differ by 10% from management's estimates, the warranty provision would have to be approximately US$2,486,000 lower or higher.

(c) Pending litigations

The Group had certain pending litigations as at the balance sheet date. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognized.

(d) Estimation of goodwill arising from acquisitions

The goodwill arising from the acquisitions is subject to significant judgement as assumptions are made in estimating the considerations of the acquisitions and the fair value of assets and liabilities acquired.

(i) Considerations of acquisitions

The acquisitions are settled by shares and convertible bond issued by the Company, which are required to be stated at fair value at the time of acquisition. For the estimate of the fair value of convertible bond, significant judgement is required to determine the required yield as they are currently not traded in public and receive no credit rating. An assumption on the Company's expected credit rating is a prerequisite to the required yield, which approximated the average yield of other non-convertible bond with similar credit rating.

(ii) Assets and liabilities acquired

For the assets and liabilities acquired, the Group is required to record the assets and liabilities acquired at their fair value at the time of acquisition. Significant judgement is required in determining the fair value of the land use rights and property, plant and equipment acquired. The fair value of land use rights is estimated with reference to market value of surrounding land. The fair value of property, plant and equipment is estimated using the depreciated replacement cost approach which considers the current cost of replacement less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

4 Critical accounting estimates and judgements (Continued)

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates.

If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the carrying value of goodwill would still not be affected.

(f) Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the option and the number of share options that are expected to become exercisable stated in Note 2.17(b). Where the outcome of the number of options that are exercisable is different, such difference will impact the profit and loss account in the subsequent remaining vesting period of the relevant share options.

5 Turnover, revenue and segment information

The Group is principally engaged in the design, manufacture and sale of computer monitors and flat TV products. Revenues recognized during the year were as follows:

	2005 **US$'000**	2004 US$'000
Turnover		
Sales of goods to third parties and related companies (Note 40)	**5,053,953**	3,738,182
Other revenue		
Interest income from bank deposits	**5,204**	2,148
Export incentives received (Note (a))	**2,636**	2,720
Technical support service fee income (Note (b))	**3,595**	4,246
Localization incentives received (Note (c))	**9,914**	4,298
Fiscal refund received (Note (d))	**3,496**	–
Miscellaneous income	**4,118**	2,560
	28,963	15,972
Total revenues	**5,082,916**	3,754,154

Notes:

(a) Export incentives were received from the local government of Fuqing, the People's Republic of China ("PRC").

(b) Technical support service fees were income for technical support service provided to third parties and an associated company (Note 40).

(c) Localization incentives were received from the government of Brazil for the localization of production in one of its special economic zones. 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 recognised as an income in current year and the same amount was appropriated to reserves as at 31st December 2005 (Note 26).

(d) Fiscal refund was received from the Fuqing Municipal Finance Bureau.

5 **Turnover, revenue and segment information** (Continued)

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

	2005			
	LCD monitors US$'000	CRT monitors US$'000	Others (Note (i)) US$'000	Total US$'000
Turnover	3,703,751	892,445	457,757	5,053,953
Cost of goods sold	(3,508,885)	(812,471)	(443,352)	(4,764,708)
Other revenue excluding interest income, export incentives received, fiscal refund received and localization incentives received	5,782	1,399	532	7,713
Operating expenses	(74,334)	(64,763)	(11,354)	(150,451)
Segment results	126,314	16,610	3,583	146,507
Interest income				5,204
Export incentives received				2,636
Fiscal refund received				3,496
Localization incentives received				9,914
Operating profit				167,757
Finance costs				(18,229)
Share of profits less losses of associated companies				7,935
Profit before taxation				157,463
Taxation				(6,552)
Profit for the year				150,911
Other information:				
Capital expenditure (Note (ii))	44,992	20,071	70,351	135,414
Depreciation	18,151	4,492	4,987	27,630
Amortization of land use rights	–	–	64	64
Amortization of intangible assets	–	–	53	53
	31st December 2005			
Balance sheet				
Segment assets	1,761,682	281,217	108,771	2,151,670
Interests in associated companies				7,570
Unallocated assets				894,984
Total assets				3,054,224
Segment liabilities	(1,278,274)	(266,253)	(60,000)	(1,604,527)
Unallocated liabilities				(584,132)
Total liabilities				(2,188,659)

5 **Turnover, revenue and segment information** (Continued)

Primary reporting format – business segments (Continued)

	As restated 2004			
	LCD monitors US$'000	CRT monitors US$'000	Others (Note (i)) 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	(46,035)	(78,175)	(4,944)	(129,154)
Segment results	90,504	22,577	(3,283)	109,798
Interest income				2,148
Export incentives received				2,720
Localization incentives received				4,298
Operating profit				118,964
Finance costs				(8,513)
Share of profits less losses of associated companies				6,727
Profit before taxation				117,178
Taxation				(13,574)
Profit for the year				103,604
Other information:				
Capital expenditure (Note(ii))	13,083	7,398	20,554	41,035
Depreciation	5,642	9,545	77	15,264
Amortization of land use rights	–	–	22	22
Amortization of intangible assets	370	151	–	521
Provision for impairment in value of other investments	–	–	582	582

	As restated 31st December 2004			
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)

Notes:

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

(ii) Capital expenditure comprises additions to property, plant and equipment (Note 14) and land use rights (Note 15), including additions resulting from acquisitions through business combinations (Note 39).

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

5 Turnover, revenue and segment information (Continued)

Secondary reporting format – geographical segments

	2005			
	Turnover US$'000	**Operating profit US$'000**	**Total assets US$'000**	**Capital expenditure US$'000**
Geographical segments:				
Europe	**1,405,262**	**43,960**	**47,017**	**1,123**
North America	**1,550,550**	**37,459**	**322,815**	**31**
South America	**125,445**	**8,120**	**66,715**	**2,948**
Africa	**27,447**	**912**	**–**	**–**
Australia	**90,453**	**2,390**	**389**	**–**
Asia				
– PRC	**1,111,778**	**62,009**	**1,180,918**	**123,871**
– other Asian countries	**743,018**	**12,907**	**1,428,800**	**7,441**
	5,053,953	**167,757**	**3,046,654**	**135,414**
Interests in associated companies			**7,570**	
Total assets			**3,054,224**	

	2004			
	Turnover US$'000	As restated Operating profit US$'000	Total assets US$'000	Capital expenditure US$'000
Geographical segments:				
Europe	1,105,477	43,860	21,138	–
North America	1,208,791	21,586	250,434	3
South America	75,972	927	50,421	1,455
Africa	14,310	279	–	–
Australia	95,213	3,765	–	–
Asia				
– PRC	717,820	36,095	791,014	25,658
– other Asian countries	520,599	12,452	341,309	13,919
	3,738,182	118,964	1,454,316	41,035
Interests in associated companies			30,509	
Total assets			1,484,825	

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.

6 Operating profit

Operating profit is stated after crediting and charging the following:

	2005 US$'000	As restated 2004 US$'000
Crediting		
Net exchange gains (included in administrative expenses)	**9,222**	9,807
Write-back of provision for bad and doubtful debts	**1,614**	–
Unrealized gain on forward contracts	**4,002**	5,361
Reversal of write-down of inventories to net realizable value	**5,517**	–
Charging		
Employee benefit expense (including directors' emoluments) (Note 7)	**79,554**	57,004
Depreciation of property, plant and equipment	**27,630**	15,264
Amortization of land use rights (included in cost of goods sold)	**64**	22
Operating lease rental for land and buildings	**1,239**	1,294
Purchase commission	**–**	4,972
Auditors' remuneration	**649**	428
Amortization of intangible assets (included in administrative expenses)	**53**	521
Provision for warranty (Note 32)	**31,464**	26,840
Provision for bad and doubtful debts	**–**	3,231
Loss on disposal of fixed assets	**373**	137
Provision for impairment in value of other investments	**–**	582
Write-down of inventories to net realizable value	**–**	9,644

7 Employee benefit expense

	2005 US$'000	As restated 2004 US$'000
Wages, salaries and welfare	**73,089**	50,775
Unutilized annual leave	**69**	63
Share options granted to directors and employees	**4,749**	4,745
Pension costs – defined contribution plans	**846**	491
Pension costs – defined benefit plan (Note 29)	**801**	930
	79,554	57,004

7 Employee benefit expense (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2005 is set out below:

Name of Director	Fees US$'000	Basic salaries, housing allowances, share options, other allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Total US$'000
Hsuan, Jason	–	348*	239	587
Houng Yu-Te	–	302*	79	381
Djuhar, Johny	–	–	–	–
Chen Yanshun	–	36*	–	36
Wang Dongsheng	–	72*	–	72
Wang Yanjun	–	36*	–	36
Maarten Jan de Vries	–	–	–	–
Chang Yueh, David	–	–	–	–
Chan Boon-Teong	35	–	–	35
Ku Chia-Tai	33	–	–	33
Wong Chi Keung	29	–	–	29
Martin Vincent McHugh	–	–	–	–

The remuneration of every director for the year ended 31st December 2004 is set out below:

Name of Director	Fees US$'000	Basic salaries, housing allowances, share options, other allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Total US$'000
Hsuan, Jason	–	334*	274	608
Houng Yu-Te	–	310*	76	386
Djuhar, Sutanto	–	–	–	–
Chen Yanshun	–	32*	–	32
Wang Dongsheng	–	64*	–	64
Wang Yanjun	–	32*	–	32
Maarten Jan de Vries	–	–	–	–
Chang Yueh, David	–	–	–	–
Djuhar, Johny	–	56	–	56
Chan Boon-Teong	26	–	–	26
Ku Chia-Tai	23	–	–	23
Wong Chi Keung	8	–	–	8
Cheung Doi Shu	15	–	–	15

* Included in the amount were share-based compensation, which are determined based on the fair value of the share options granted to the relevant Directors at the date of grant and recognised over the vesting period.

7 **Employee benefit expense** (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: three) individuals during the year are as follows:

	2005	As restated 2004
	US$'000	US$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,174***	875*
Discretionary bonuses	**411**	379

* Included in the amount were share-based compensation, which are determined based on the fair value of the share options granted to the relevant individuals at the date of grant and recognised over the vesting period.

The emoluments fell within the following bands:

	Number of individuals	
	2005	As restated 2004
US$384,616 to US$448,718 (equivalent to HK$3,000,001 to HK$3,500,000)	**4**	3
	4	3

During the year, no director waived any emoluments and the Group has not paid any emoluments to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 **Finance costs**

	2005	2004
	US$'000	US$'000
Interest on bank borrowings wholly repayable within five years	**14,819**	8,513
Interest on convertible bond (Note 35)	**3,410**	–
	18,229	8,513

No borrowing costs were capitalized during the years ended 31st December 2005 and 2004.

9 **Taxation**

No provision were made for Hong Kong profits tax as the Group has no profit assessable to Hong Kong profits tax for the year (2004: Nil).

Taxation on overseas profits was 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)"), that was established in an economic and technological development zone in the PRC, was subject to the PRC enterprise income tax rate of 15% under the tax regulations of the PRC. It also enjoyed a further 5% reduction in the PRC enterprise income tax rate as its export sales were over 70% of the total sales in 2005.

9 Taxation (Continued)

Another subsidiary, TPV Electronics (Fujian) Company Limited ("TPVE (FJ)"), that was established in an economic and technological development zone in the PRC, was subject to the PRC enterprise income tax rate of 15% under the tax regulations of the PRC. However, it has been fully exempted from the PRC enterprise income tax in 2002 and 2003 and a reduced tax rate of 7.5% in 2004 and 2005.

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

	2005	As restated 2004
	US$'000	US$'000
Overseas taxation		
– current year	**11,687**	11,985
– (over)/under-provision in prior years	**(2,600)**	1,400
Deferred taxation relating to the origination and reversal of temporary differences (Note 28)	**(2,535)**	189
	6,552	13,574

Share of taxation of associated companies for 2005 of approximately US$289,000 (2004: US$607,000) is included in the profit and loss account as share of profits less losses of associated companies.

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:

	2005	2004
	US$'000	US$'000
Profit before taxation	**157,463**	117,178
Calculated at a taxation rate of 15% (2004: 15%)	**23,619**	17,577
Tax effect of different taxation rates in other countries	**70**	481
Tax effect of income not subject to taxation	**(10,137)**	(3,883)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(8,265)**	(8,600)
Tax effect of expenses not deductible for taxation purposes	**3,865**	6,599
(Over)/under-provision in prior years	**(2,600)**	1,400
Taxation charge	**6,552**	13,574

10 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately US$129,517,000 (2004: US$7,619,000).

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005 US$'000	As restated 2004 US$'000
Profit attributable to shareholders of the Company	**149,583**	103,592
Weighted average number of ordinary shares in issue (thousands)	**1,511,644**	1,385,343
Basic earnings per share (US cents per share)	**9.90**	7.48

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bond and share options. The convertible bond are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005 US$'000	As restated 2004 US$'000
Profit attributable to shareholders of the Company	**149,583**	103,592
Interest expense on convertible bond (net of tax)	**3,410**	–
Profit used to determine diluted earnings per share	**152,993**	103,592
Weighted average number of ordinary shares in issue (thousands)	**1,511,644**	1,385,343
Adjustments for		
– assumed conversion of convertible bond (thousands)	**110,495**	–
– share options (thousands)	**34,166**	4,951
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,656,305**	1,390,294
Diluted earnings per share (US cents per share)	**9.24**	7.45

12 Dividends

	2005 US$'000	2004 US$'000
Interim, paid, of US0.72 cent (2004: US0.50 cent) per ordinary share	**12,238**	7,010
Final, proposed, of US2.00 cents (2004: US1.59 cents) per ordinary share	**38,244**	22,320
	50,482	29,330

The directors proposed on 3rd April 2006 a final dividend of US2.00 cents per share (2004: US1.59 cents) payable in cash to shareholders. The amount of 2005 proposed final dividend is based on 1,912,222,754 shares in issue as at 3rd April 2006 (2004: 1,404,097,264 shares as at 30th March 2005). 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 2006.

13 Intangible assets

		Group	
	Goodwill US$'000	Trademarks US$'000	Total US$'000
At 1st January 2004			
Cost	7,010	800	7,810
Accumulated amortization	(1,717)	(267)	(1,984)
Net book amount	5,293	533	5,826
Year ended 31st December 2004			
Opening net book amount	5,293	533	5,826
Amortization charge (Note (a))	(468)	(53)	(521)
Closing net book amount	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
Year ended 31st December 2005			
Opening net book amount	4,825	480	5,305
Attributable to acquisition of subsidiaries (Note 39)	354,273	–	354,273
Amortization charge (Note (a))	–	(53)	(53)
Closing net book amount	359,098	427	359,525
At 31st December 2005			
Cost	359,098	800	359,898
Accumulated amortization	–	(373)	(373)
Net book amount	359,098	427	359,525

Notes to the Accounts

13 Intangible assets
(Continued)

	Company Trademarks US$'000
At 1st January 2004	
Cost	800
Accumulated amortization	(267)
Net book amount	533
Year ended 31st December 2004	
Opening net book amount	533
Amortization charge (Note (a))	(53)
Closing net book amount	480
At 31st December 2004	
Cost	800
Accumulated amortization	(320)
Net book amount	480
Year ended 31st December 2005	
Opening net book amount	480
Amortization charge (Note (a))	(53)
Closing net book amount	427
At 31st December 2005	
Cost	800
Accumulated amortization	(373)
Net book amount	427

Note:

(a) Amortization charge is included in administrative expenses in the profit and loss account.

13 Intangible assets (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below.

	2005 US$'000	2004 US$'000
LCD	**290,413**	–
CRT	**30,892**	4,825
Others	**37,793**	–
	359,098	4,825

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations

	LCD	**CRT**	**Others**
Gross margin	4.3%	4.4%	4.1%
Growth rate	11.3%	(9.6)%	54.7%
Discount rate	6.0%	6.0%	6.0%

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there is no impairment of goodwill as at 31st December 2005 and 2004.

14 Property, plant and equipment

Group	Freehold land outside Hong Kong 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	Cons-truction-in-progress US$'000	Total US$'000
At 1st January 2004										
Cost	–	12,869	2,855	17,545	33,849	30,985	951	5,367	1,733	106,154
Accumulated depreciation	–	(4,575)	(869)	(10,742)	(27,686)	(20,319)	(607)	(2,576)	–	(67,374)
Net book amount	–	8,294	1,986	6,803	6,163	10,666	344	2,791	1,733	38,780
Year ended 31st December 2004										
Opening net book amount	–	8,294	1,986	6,803	6,163	10,666	344	2,791	1,733	38,780
Exchange differences	–	–	–	–	–	–	–	1	–	1
Additions	6,779	10,401	689	3,886	11,869	5,168	436	1,182	625	41,035
Disposals	–	–	–	(1)	(89)	(34)	–	(13)	–	(137)
Depreciation	–	(625)	(293)	(1,129)	(8,070)	(4,404)	(119)	(624)	–	(15,264)
Closing net book amount	6,779	18,070	2,382	9,559	9,873	11,396	661	3,337	2,358	64,415
At 31st December 2004										
Cost	6,779	23,270	3,544	18,955	45,477	35,800	1,387	6,517	2,358	144,087
Accumulated depreciation	–	(5,200)	(1,162)	(9,396)	(35,604)	(24,404)	(726)	(3,180)	–	(79,672)
Net book amount	6,779	18,070	2,382	9,559	9,873	11,396	661	3,337	2,358	64,415
Year ended 31st December 2005										
Opening net book amount	6,779	18,070	2,382	9,559	9,873	11,396	661	3,337	2,358	64,415
Exchange differences	(235)	143	95	475	302	363	20	283	72	1,518
Acquisition of subsidiaries (Note 39)	–	18,879	–	7,229	10,525	13,284	154	1,686	1,011	52,768
Additions	–	6,963	1,568	4,804	20,592	7,882	93	3,039	26,141	71,082
Transfer	–	2,023	179	438	–	119	–	–	(2,759)	–
Disposals	–	–	(91)	(4)	(154)	(108)	–	(16)	–	(373)
Depreciation	–	(1,566)	(539)	(1,411)	(16,429)	(6,433)	(181)	(1,071)	–	(27,630)
Closing net book amount	6,544	44,512	3,594	21,090	24,709	26,503	747	7,258	26,823	161,780
At 31st December 2005										
Cost	6,544	55,529	4,840	35,140	111,201	98,372	2,295	13,092	26,823	353,836
Accumulated depreciation	–	(11,017)	(1,246)	(14,050)	(86,492)	(71,869)	(1,548)	(5,834)	–	(192,056)
Net book amount	6,544	44,512	3,594	21,090	24,709	26,503	747	7,258	26,823	161,780

Depreciation expense of US$26,343,000 (2004: US$14,508,000) has been expensed in cost of goods sold, US$67,000 (2004: US$199,000) in selling and distribution expenses, US$252,000 (2004: Nil) in administrative expenses and US$968,000 (2004: US$557,000) in research and development expenses.

At 31st December 2005, the net book value of property, plant and equipment that had been pledged to banks to secure banking facilities granted to the Group amounted to approximately US$13,671,000 (2004: US$6,431,000) (Note 34).

15 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	Group 2005 US$'000	Group 2004 US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**455**	450
Leases of between 10 to 50 years	**12,134**	606
	12,589	1,056

	2005 US$'000	2004 US$'000
Opening net book value	**1,056**	1,078
Exchange differences	**33**	–
Additions	**1,180**	–
Acquisition of subsidiaries (Note 39)	**10,384**	–
Amortisation of prepaid operating lease payment	**(64)**	(22)
Closing net book value	**12,589**	1,056

At 31st December 2005, the net book value of land use rights that had been pledged to a bank to secure banking facilities granted to the Group amounted to approximately US$836,000 (2004: US$450,000) (Note 34).

16 Investments in subsidiaries

	Company 2005 US$'000	Company 2004 US$'000
Unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**833,074**	237,000
Amounts due to subsidiaries	**(30)**	–
	892,110	296,066
Less: Non-current portion	**(782,430)**	(291,135)
Current portion	**109,680**	4,931

The amounts due from subsidiaries are unsecured. Except for an amount of US$133,500,000 which bears interest at a rate based on London Inter-Bank Offering Rate ("LIBOR") plus 0.6% and repayable on or before 13th October 2007 and an amount of US$648,930,000 which is interest free and has no fixed terms of repayment, the remaining balances are interest free and are current in nature.

The amounts due to subsidiaries are interest free, unsecured and have no fixed terms of repayment.

16 Investments in subsidiaries (Continued)

Particulars of the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the profit and assets of the Group, as at 31st December 2005 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 (e))	100%
Top Victory Electronics (Taiwan) Co., Ltd.*	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) Co., Ltd.* (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$40,000,000	100%
TPV Electronics (Fujian) Co., Ltd.* (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$45,000,000	100%
TPV Technology (Wuhan) Co., Ltd.* (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$16,880,000	100%
TPV Display Technology (Wuhan) Co., Ltd.* (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$12,000,000	100%
AOC do Brasil Monitores Ltda.	Brazil	Sales and distribution of computer monitors	12,054,599 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%

16 Investments in subsidiaries (Continued)

Name	Country/place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company (Continued):				
TPV International (Netherlands) B.V.	The 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	23,293,546 ordinary shares of Reais $1 each	99.79%
TPV Technology (Beijing) Co., Ltd. ("TPV Beijing", formerly known as Beijing Orient Top Victory Electronics Co., Ltd.)* (Note (c))	The PRC	Production and sales of computer monitors	280,600,000 ordinary shares of RMB1 each	100%
Philips Consumer Electronics Co. of Suzhou Ltd.* (Note (d))	The PRC	Production and sales of computer monitors	Paid-in capital of US$48,000,000	80%
P-Harmony Monitors (Taiwan) Ltd.*	Taiwan	Trading of computer monitors	100,000 ordinary shares of NT$10 each	100%
P-Harmony Monitors USA Inc.	United States of America	Trading of computer monitors	1,000 ordinary shares of US$1 each	100%
P-Harmony Monitors Netherlands B.V.	The Netherlands	Trading of computer monitors	300 ordinary shares of €100 each	100%

* English translation is for identification purposes only.

Notes:

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

(b) These subsidiaries were established as wholly foreign owned enterprises in the PRC.

(c) This subsidiary was established as a joint-stock limited company with foreign investment in the PRC. After the completion of acquisition by the Group of the remaining interest held by other shareholders of this company on 1st December 2005, this subsidiary became a wholly foreign owned enterprise of the Group.

(d) This subsidiary was established as an equity joint venture company in the PRC.

(e) 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.

17 Interests in associated companies

	Group 2005 US$'000	Group 2004 US$'000
Beginning of the year	**30,509**	24,488
Formation of associated companies	**7,500**	–
Share of associated companies' results		
– profit before taxation	**8,224**	7,334
– taxation	**(289)**	(607)
Dividend	**(459)**	(706)
Transfer to investments in subsidiaries upon acquisition of additional interest in an associated company	**(37,915)**	–
End of the year	**7,570**	30,509

Interests in associated companies at 31st December 2005 do not include any goodwill (2004: Nil).

Particulars of associated companies as at 31st December 2005 are as follows:

Name	Country/place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held indirectly
Envision Peripherals, Inc.	United States of America	Trading of computer monitors	1,000,000 ordinary shares of US$1 each	24%
HannStar Display (Wuhan) Corp.* Note (b)	The PRC	Production and sale of LCD modules	Paid-in capital of US$4,800,000	20%
CPT TPV Optical (Fujian) Co., Ltd.* Note (b)	The PRC	Production and sale of LCD modules	Paid-in capital of US$22,500,000	20%

* English translation is for identification purposes only.

Notes:

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

(b) These associated companies were established as wholly foreign owned enterprises in the PRC.

18 Available-for-sale financial assets

	Group 2005 US$'000	Company 2005 US$'000
Beginning of the year	**2,007**	**15**
Exchange differences	**(31)**	**–**
Disposals	**(50)**	**–**
Revaluation loss transfer to equity (Note 26)	**(1,027)**	**(8)**
End of the year	**899**	**7**
Less: non-current portion	**(899)**	**(7)**
Current portion	**–**	**–**

There was no impairment provision on available-for-sale financial assets in 2005.

Notes to the Accounts

18 Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

	Group 2005 US$'000	Company 2005 US$'000
Listed securities:		
– Equity securities – Hong Kong	**7**	**7**
– Equity securities – Taiwan	**198**	**–**
Unlisted securities:		
– Equity securities traded on inactive markets and of private issuers	**694**	**–**
	899	**7**
Market value of listed securities	**205**	**7**

19 Other investments

	Group 2004 US$'000	Company 2004 US$'000
Equity securities listed in Hong Kong, at cost	281	281
Equity securities listed outside Hong Kong, at cost	1,033	–
Less: provision for impairment in value	(827)	(266)
	487	15
Unlisted investments, at cost	1,520	–
	2,007	15
Market value of listed investments	440	15

20 Inventories

	Group	
	2005 US$'000	2004 US$'000
Finished goods	**511,278**	276,611
Raw materials	**165,787**	116,705
Work-in-progress	**6,627**	7,304
Production supplies	**3,971**	2,320
	687,663	402,940

The cost of inventories recognized as expense and included in cost of goods sold amounted to US$4,610,290,000 (2004: US$3,399,110,000).

At 31st December 2005, no inventory was pledged as security for banking facilities (2004: US$20,000,000) (Note 34).

21 Trade receivables, deposits, prepayments and other receivables

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**1,255,723**	585,124	**–**	–
Less: provision for impairment of receivables	**(5,034)**	(5,894)	**–**	–
Trade receivables, net	**1,250,689**	579,230	**–**	–
Deposits	**4,351**	988	**–**	–
Prepayments	**15,050**	14,199	**820**	1,333
Other receivables	**82,804**	35,504	**19**	–
	1,352,894	629,921	**839**	1,333

The carrying amounts of trade receivables, deposits, prepayments and other receivables approximate their fair values.

The ageing analysis of trade receivables is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 - 30 days	**636,819**	335,120
31 - 60 days	**375,308**	150,054
61 - 90 days	**206,197**	83,652
91 - 120 days	**25,532**	9,680
Over 120 days	**11,867**	6,618
	1,255,723	585,124

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.

There was concentration of credit risk with respect to trade receivables as the Group's sales were concentrated on several key customers. The Group's control on the credit risk is disclosed in Note 3.

22 Trade amounts due from associated companies

The ageing analysis of trade amounts due from associated companies is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 - 30 days	**18,568**	6,165
31 - 60 days	**6,305**	3,199
61 - 90 days	**9,458**	6,216
91 - 120 days	**436**	1
Over 120 days	**311**	–
	35,078	15,581

The trade amounts due from associated companies are unsecured, interest free and have normal commercial terms of repayment.

The carrying amount of trade amounts due from associated companies approximates its fair value.

23 Other financial assets at fair value through profit or loss

	Group 2005 US$'000
Listed securities, at market value:	
– Equity securities – Singapore	**1,913**

The carrying amounts of the above financial assets are classified as follows:

	2005 US$'000
Held for trading	**1,913**

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 36).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in administrative expenses in the profit and loss account.

24 Bank balances and cash

	Group		Company	
	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000
Cash at bank and in hand	**196,734**	191,137	**2,064**	939
Short-term bank deposits	**218,151**	130,319	**–**	–
	414,885	321,456	**2,064**	939

The effective interest rate on short-term bank deposits was 3.4% (2004: 2.0%); these deposits have an average maturity of 23 days (2004: 39 days).

25 Share capital

	2005 US$'000	2004 US$'000
Authorized:		
4,000,000,000 (2004: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
1,794,865,754 (2004: 1,403,284,264) ordinary shares of US$0.01 each	**17,949**	14,033

25 Share capital (Continued)

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

	2005		2004	
	Number of issued ordinary shares of US$0.01 each	**Par value US$'000**	Number of issued ordinary shares of US$0.01 each	Par value US$'000
Beginning of year	**1,403,284,264**	**14,033**	1,350,773,264	13,508
Issue of shares pursuant to the acquisition of subsidiaries (Note (a))	**351,225,490**	**3,512**	–	–
Issue of shares pursuant to exercise of share options (Note (b))	**40,356,000**	**404**	52,511,000	525
End of year	**1,794,865,754**	**17,949**	1,403,284,264	14,033

Notes:

(a) The Company issued 263,176,463 new shares of US$0.01 each on 5th September 2005 to Koninklijke Philips Electronics N.V. ("Philips") as part of the consideration for the acquisition by the Company from Philips of certain of its research, development and manufacturing activities in the fields of monitors and flat screen television and related OEM sales. These shares rank pari passu with the existing shares of the Company. The fair value of the shares issued at the date of acquisition amounted to HK$1,381,676,000 (HK$5.25 per share), or equivalent to US$177,137,000 (Note 39).

The Company issued a total of 88,049,027 new shares of US$0.01 each on 1st December 2005 to BOE Technology Group Co., Ltd. ("BOE"), Multi-Lines Investments Limited and Legend Holdings Limited as the consideration for the acquisition of 58.26% interest in TPV Beijing. These shares rank pari passu with the existing shares of the Company. The fair value of the shares issued at the date of acquisition amounted to HK$598,733,000 (HK$6.8 per share), or equivalent to US$76,761,000 (Note 39).

(b) During the year, 40,356,000 (2004: 52,511,000) new shares of US$0.01 each were issued upon exercise of options under the share option scheme approved by the shareholders of the Company at exercise price ranging from HK$0.67 to HK$4.735 (US$0.09 to US$0.61) per share. These shares rank pari passu with the existing shares of the Company.

The Company has share option scheme as at 31st December 2005, under which it may grant options to employees and directors of the Group to subscribe for ordinary shares in the Company. During the year, 3,493,000 share options (2004: 1,651,000) lapsed in connection with the cessation of employment of certain employees.

25 Share capital (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

			Number of share options				
Date of grant	Exercise price	Note	At 1st January 2005	Granted during the year	Exercised during the year	Lapsed during the year	At 31st December 2005
26th February 2001	HK$0.670	(a)	839,000	–	(659,000)	(80,000)	100,000
2nd May 2002	HK$3.300	(b)	21,706,000	–	(16,853,000)	(427,000)	4,426,000
1st August 2002	HK$2.325	(c)	23,395,000	–	(10,166,000)	(196,000)	13,033,000
3rd November 2003	HK$4.140	(d)	34,460,000	–	(6,290,000)	–	28,170,000
20th May 2004	HK$4.735	(e)	114,950,000	–	(6,388,000)	(2,790,000)	105,772,000

Notes:

(a) These options are exercisable at HK$0.670 (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$3.300 (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$4.140 (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 40,356,000 (2004: 52,511,000) ordinary shares being issued at HK$0.670 (US$0.09), HK$3.300 (US$0.42), HK$2.325 (US$0.30), HK$4.140 (US$0.53) and HK$4.735 (US$0.61), yielding the following proceeds:

	2005	2004
	US$'000	US$'000
Ordinary share capital – at par	**404**	525
Share premium	**17,030**	10,692
Proceeds	**17,434**	11,217

The related weighted average share price at the time of exercise was HK$5.627 (US$0.72) (2004: HK$4.882 (US$0.63)) per share.

26 Reserves

	Group											
	Share premium US$'000	Capital reserve (Note 5(c)) US$'000	Share redemption reserve US$'000	Employee share-based comp-ensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bond (Note (d)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2005, as previously reported	78,442	13,356	12	–	(4,802)	28,137	10,001	–	–	–	268,299	393,445
Effect of adoption of HKFRS 2	–	–	–	4,931	–	–	–	–	–	–	(4,931)	–
Opening adjustment for the adoption of HKAS 39	–	–	–	–	–	–	–	–	–	–	(11,468)	(11,468)
Balance at 1st January 2005, as restated	78,442	13,356	12	4,931	(4,802)	28,137	10,001	–	–	–	251,900	381,977
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	–	(1,027)	–	–	–	(1,027)
Convertible bond, equity component, net of tax (Note 35)	–	–	–	–	–	–	–	–	–	58,271	–	58,271
Exchange differences	–	–	–	–	6,208	–	–	–	–	–	–	6,208
Profit for the year	–	–	–	–	–	–	–	–	–	–	149,583	149,583
Transfer to retained profits	–	9,914	–	–	–	701	–	–	–	–	(10,615)	–
Issue of new shares pursuant to acquisition of subsidiaries (Note 25)	250,386	–	–	–	–	–	–	–	–	–	–	250,386
Employee share option scheme:												
– Employee share-based compensation benefits	–	–	–	4,749	–	–	–	–	–	–	–	4,749
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	17,030	–	–	–	–	–	–	–	–	–	–	17,030
Dividends paid:												
2004 final	–	–	–	–	–	–	–	–	–	–	(22,340)	(22,340)
2005 interim	–	–	–	–	–	–	–	–	–	–	(12,238)	(12,238)
Fair value adjustment upon acquisition of a subsidiary	–	–	–	–	–	–	–	–	5,308	–	–	5,308
Exercise of share option	1,346	–	–	(1,346)	–	–	–	–	–	–	–	–
Balance at 31st December 2005	347,204	23,270	12	8,334	1,406	28,838	10,001	(1,027)	5,308	58,271	356,290	837,907
Represented by:												
Reserves											318,046	799,663
Proposed final dividend											38,244	38,244
Balance at 31st December 2005											356,290	837,907
Balance at 1st January 2004, as previously reported	67,750	9,058	12	–	(6,586)	18,988	10,001	–	–	–	195,863	295,086
Effect of adoption of HKFRS 2	–	–	–	186	–	–	–	–	–	–	(186)	–
Balance at 1st January 2004, as restated	67,750	9,058	12	186	(6,586)	18,988	10,001	–	–	–	195,677	295,086
Exchange differences	–	–	–	–	1,784	–	–	–	–	–	–	1,784
Profit for the year	–	–	–	–	–	–	–	–	–	–	103,592	103,592
Transfer from retained profits	–	4,298	–	–	–	9,149	–	–	–	–	(13,447)	–
Employee share option scheme:												
– Employee share-based compensation benefits	–	–	–	4,745	–	–	–	–	–	–	–	4,745
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	10,692	–	–	–	–	–	–	–	–	–	–	10,692
Dividends paid:	–											
2003 final	–	–	–	–	–	–	–	–	–	–	(15,444)	(15,444)
2004 interim	–	–	–	–	–	–	–	–	–	–	(7,010)	(7,010)
Balance at 31st December 2004	78,442	13,356	12	4,931	(4,802)	28,137	10,001	–	–	–	263,368	393,445
Represented by:												
Reserves											241,048	371,125
Proposed final dividend											22,320	22,320
Balance at 31st December 2004											263,368	393,445

26 Reserves
(Continued)

	Company							
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note (c)) US$'000	Available-for-sale financial asset fair value reserve US$'000	Convertible bond (Note (d)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2005, as previously reported	78,442	12	–	11,433	–	–	25,836	115,723
Effect of adoption of HKFRS 2	–	–	4,931	–	–	–	–	4,931
Balance at 1st January 2005, as restated	78,442	12	4,931	11,433	–	–	25,836	120,654
Fair value loss on available-for-sale financial assets	–	–	–	–	(8)	–	–	(8)
Convertible bond, equity component, net of tax (Note 35)	–	–	–	–	–	58,271	–	58,271
Profit for the year	–	–	–	–	–	–	129,517	129,517
Issue of new shares pursuant to acquisition of subsidiaries (Note 25)	250,386	–	–	–	–	–	–	250,386
Employee share option scheme:								
– Employee share-based compensation benefits	–	–	4,749	–	–	–	–	4,749
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	17,030	–	–	–	–	–	–	17,030
Dividends paid:								
2004 final	–	–	–	–	–	–	(22,340)	(22,340)
2005 interim	–	–	–	–	–	–	(12,238)	(12,238)
Exercise of share option	1,346	–	(1,346)	–	–	–	–	–
Balance at 31st December 2005	347,204	12	8,334	11,433	(8)	58,271	120,775	546,021
Represented by:								
Reserves							82,531	507,777
Proposed final dividend							38,244	38,244
Balance at 31st December 2005							120,775	546,021
Balance at 1st January 2004, as previously reported	67,750	12	–	33,887	–	–	18,217	119,866
Effect of adoption of HKFRS 2	–	–	186	–	–	–	–	186
Balance at 1st January 2004, as restated	67,750	12	186	33,887	–	–	18,217	120,052
Profit for the year	–	–	–	–	–	–	7,619	7,619
Employee share option scheme:								
– Employee share-based compensation benefits	–	–	4,745	–	–	–	–	4,745
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	10,692	–	–	–	–	–	–	10,692
Dividends paid:								
2003 final	–	–	–	(15,444)	–	–	–	(15,444)
2004 interim	–	–	–	(7,010)	–	–	–	(7,010)
Balance at 31st December 2004	78,442	12	4,931	11,433	–	–	25,836	120,654
Represented by:								
Reserves							3,516	98,334
Proposed final dividend							22,320	22,320
Balance at 31st December 2004							25,836	120,654

26 Reserves (Continued)

(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 relevant PRC regulations, this reserve can be used for making up losses and increase of capital. As at 31st December 2005, the cumulative appropriation to the reserve fund of two subsidiaries have 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.

(d) Convertible bond in reserves represents the value of the equity conversion component. Details of the convertible bond are set out in Note 35.

27 Borrowings

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Bank borrowings	**96,000**	118,500	**76,000**	108,500
Convertible bond (Note 35)	**196,779**	–	**196,779**	–
	292,779	118,500	**272,779**	108,500
Current				
Bank borrowings	**285,380**	86,950	**57,500**	54,500
Total borrowings	**578,159**	205,450	**330,279**	163,000

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

27 Borrowings (Continued)

As at 31st December 2005, the Group's borrowings were repayable as follows:

	Group				Company			
	Bank borrowings		Convertible bond		Bank borrowings		Convertible bond	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**285,380**	86,950	**–**	–	**57,500**	54,500	**–**	–
In the second year	**96,000**	67,500	**–**	–	**76,000**	57,500	**–**	–
In the third to the fifth year	**–**	51,000	**196,779**	–	**–**	51,000	**196,779**	–
Wholly repayable within 5 years	**381,380**	205,450	**196,779**	–	**133,500**	163,000	**196,779**	–

The loans and borrowings of the Group are denominated in US dollars.

The effective interest rates at the balance sheet date were as follows:

	2005	2004
	%	%
Bank borrowings	**4.08 - 5.54**	3.16 - 3.76
Convertible bond (Note 35)	**5.75**	–

The carrying amounts of loans and borrowings approximate their fair values. The fair value of long-term borrowings is determined using the expected future payments discounted at market interest rates prevailing at year end.

As at 31st December 2005, the Group has undrawn bank loan and overdraft facilities of US$1,799,216,000 (2004: US$1,361,008,000).

28 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	
	2005	2004
	US$'000	US$'000
Deferred tax assets	**15,567**	5,161
Deferred tax liabilities	**–**	(120)
As at 31st December	**15,567**	5,041

The movement on deferred taxation is as follows:

	Group	
	2005	2004
	US$'000	US$'000
As at 1st January	**5,041**	5,230
Acquisition of subsidiaries	**7,991**	–
Deferred taxation credited/(charged) to profit and loss account (Note 9)	**2,535**	(189)
As at 31st December	**15,567**	5,041

No deferred taxation was charged to equity during the year (2004: Nil).

28 Deferred taxation (Continued)

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

	Provisions		Unrealized profit/(loss)		Tax loss		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**5,161**	3,589	**(109)**	1,641	**–**	–	**(11)**	–	**5,041**	5,230
Acquisition of subsidiaries	**887**	–	**–**	–	**7,104**	–	**–**	–	**7,991**	–
Credited/(charged) to profit and loss account	**842**	1,572	**1,682**	(1,750)	**–**	–	**11**	(11)	**2,535**	(189)
As at 31st December	**6,890**	5,161	**1,573**	(109)	**7,104**	–	**–**	(11)	**15,567**	5,041

29 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 2005 have been valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	Group	
	2005	2004
	US$'000	US$'000
Present value of funded obligations	**5,145**	4,276
Fair value of plan assets	**(1,002)**	(739)
Present value of unfunded obligations	**4,143**	3,537
Unrecognized actuarial losses	**(945)**	(903)
Liability in the balance sheet	**3,198**	2,634

The amounts recognized in the profit and loss account are as follows:

	2005	2004
	US$'000	US$'000
Current service cost	**613**	770
Interest cost	**176**	128
Expected return on plan assets	**(30)**	(22)
Net actuarial losses recognized during the year	**42**	54
Total expense, included in employee benefits expense (Note 7)	**801**	930

The total expenses are categorized as in administrative expenses.

The actual return on plan assets was US$13,000 (2004: US$8,000).

Notes to the Accounts

29 Pension obligations (Continued)

Movement in the liability recognized in the balance sheet:

	Group	
	2005	2004
	US$'000	US$'000
At 1st January	**2,634**	1,902
Total expense, included in employee benefits expense (Note 7)	**801**	930
Contributions paid	**(237)**	(198)
At 31st December	**3,198**	2,634

The principal actuarial assumptions used were as follows:

	2005	2004
	%	%
Discount rate	**3.75**	3.50
Expected rate of return on plan assets	**2.75**	3.50
Expected rate of future salary increases	**3.00**	3.00

30 Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 - 30 days	**499,515**	231,932
31 - 60 days	**426,313**	236,913
61 - 90 days	**274,971**	143,777
Over 90 days	**166,040**	137,132
	1,366,839	749,754

31 Amount due to an associated company

The amount due to an associated company represents cash received on behalf of an associated company. The amount was unsecured, interest free and was current in nature.

32 Warranty provisions

	Group	
	2005	2004
	US$'000	US$'000
At 1st January	**20,910**	15,052
Acquisition of a subsidiary (Note 39)	**9,443**	–
Charged to the profit and loss account (Note 6)	**31,464**	26,840
Utilized during the year	**(27,572)**	(20,982)
At 31st December	**34,245**	20,910

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from 12 months to 36 months. The provision as at 31st December 2005 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.

33 Derivative financial instruments

	Group 2005 Liabilities US$'000
Forward foreign exchange contracts	**2,105**

At 1st January 2005, upon the adoption of HKAS 39, the fair value of forward foreign exchange contracts was recorded as a liability of US$6,107,000.

34 Pledge of assets

Approximately US$13,671,000 (2004: US$6,431,000) of property, plant and equipment, US$836,000 (2004: US$450,000) of land use rights, none (2004: US$20,000,000) of inventories and US$3,861,000 (2004: US$6,474,000) of bank deposits have been pledged as security for the general banking facilities amounting to US$140,000,000 (2004: US$188,000,000) granted to the Group. At the balance sheet date, the amount so utilized amounted to approximately US$86,807,000 (2004: US$59,579,000).

35 Convertible bond

The Company issued to Philips 3.35% convertible bond at a nominal value of US$211 million on 5th September 2005.

The bond mature five years from the issue date at their nominal value of US$221 million or can be converted into shares at the holder's option at conversion price as follows:

In respect of any conversion (i) pursuant to a conversion notice dated during the conversion period, HK$5.241, representing a premium of 20% over the issue price; and (ii) pursuant to a conversion notice issued following the occurrence of a conversion event as defined in the share purchase agreement signed by the Company and Philips on 15th June 2005 and dated:

(a) before the first anniversary of the issue date, HK$4.804 representing a premium of 10% over the Issue Price;

(b) on or after the first anniversary of the issue date but before the second anniversary of the issue date, HK$5.023 representing a premium of 15% over the Issue Price; or

(c) on or after the second anniversary of the issue date, HK$5.241 representing a premium of 20% over the Issue Price.

The conversion prices will be subject to adjustment for subdivision or consolidation of shares, bonus issues, rights issues, distribution of reserves, any dividend payment(s) in excess of the dividend payout ratio cap, capital reduction and other dilutive events.

The fair values of the liability component and the equity conversion component were determined at issuance of the bond.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The fair value of the equity conversion component, is included in shareholders' equity, net of tax (Note 26).

35 Convertible bond (Continued)

The convertible bond recognized in the balance sheet is calculated as follows:

	Group and Company	
	2005	2004
	US$'000	US$'000
Equity component	**58,271**	–
Liability component on initial recognition at 5th September 2005	**193,369**	–
Interest expense (Note 8)	**3,410**	–
Liability component at 31st December 2005 (Note 27)	**196,779**	–

The fair value of the liability component of the convertible bond at 31st December 2005 amounted to US$190,714,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 5.75%.

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 5.29% to the liability component.

36 Notes to the consolidated cash flow statement

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

		As restated
	2005	2004
	US$'000	US$'000
Operating profit	**167,757**	118,964
Interest income	**(5,204)**	(2,148)
Depreciation	**27,630**	15,264
Amortization of land use rights	**64**	22
Amortization of intangible assets	**53**	521
Loss on disposal of fixed assets	**373**	137
Share options granted to directors and employees	**4,749**	4,745
Provision for impairment in value of other investments	**–**	582
Fair value gain on derivative financial instruments	**(4,002)**	–
Operating profit before working capital changes	**191,420**	138,087
(Increase)/decrease in net amounts due from associated companies	**(28,335)**	12,484
Increase in trade receivables	**(187,260)**	(154,989)
(Increase)/decrease in deposits, prepayments and other receivables	**(42,600)**	11,172
Increase in inventories	**(63,144)**	(75,115)
Increase in other financial assets at fair value through profit or loss	**(1,913)**	–
Increase in trade payables	**150,832**	158,836
Increase in warranty provisions, other payables and accruals and pension obligations	**42,782**	18,329
Net cash generated from operations	**61,782**	108,804

36 Notes to the consolidated cash flow statement (Continued)

(b) Cashflow from acquisitions of subsidiaries

Details of the cashflow from acquisitions of subsidiaries have been disclosed in Note 39.

(c) Analysis of changes in financing during the year

	Share capital and share premium		Bank loans		Pledged bank deposits	
	2005	2004	**2005**	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**92,475**	81,258	**205,450**	134,421	**(6,474)**	(11,407)
Issue of new shares pursuant to exercise of share options	**17,434**	11,217	**–**	–	**–**	–
Issue of new shares pursuant to acquisition of subsidiaries	**253,898**	–	**–**	–	**–**	–
Exercise of share options	**1,346**	–	**–**	–	**–**	–
Acquisition of a subsidiary	**–**	–	**40,085**	–	**–**	–
Net inception/(repayment) of short-term bank loans	**–**	–	**158,345**	(48,971)	**–**	–
New long-term bank loans	**–**	–	**–**	145,000	**–**	
Repayment of long-term bank loans	**–**	–	**(22,500)**	(25,000)	**–**	–
Decrease in pledged bank deposits	**–**	–	**–**	–	**2,613**	4,933
At 31st December	**365,153**	92,475	**381,380**	205,450	**(3,861)**	(6,474)

37 Contingent liabilities

(a) Corporate guarantees

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Guarantees in respect of banking facilities granted to:				
– subsidiaries	**–**	–	**1,080,447**	900,447
– an associated company	**–**	13,060	**–**	–
	–	13,060	**1,080,447**	900,447

(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 of America computer products that include such LCD panels, including monitors sold under the brand name AOC; and

(iii) the Company, its 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).

37 Contingent liabilities (Continued)

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 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 of damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD ("Patent II").

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 II 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 proceedings were stayed according to the court's Memorandum Order on 13th May 2004, it is not probable to assess the future 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.

(d) In April 2005, a third party company filed a first amended 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 and related products ("Patent III").

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

(i) they have infringed, contributory infringed and/or actively induced infringement; and are infringing, contributory infringing and/or actively inducing infringement of Patent III 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) the infringement of Patent III has been and continue to be deliberate and wilful, making and entitling the plaintiff to increased damages which include attorneys' fee, costs and expenses that have been and would have been incurred by it for pursuing this action.

The directors are of the opinion that while the proceedings were stayed to the extent the Group is concerned according to the Court's order granted on 17th November 2005, it is not probable to assess the future 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.

37 Contingent liabilities (Continued)

(e) In September 2005, an individual plaintiff commenced legal action in the United States of America against one of the associated companies of the Group and other third party companies. This action claims damages related to alleged infringement of certain patents in respect of ergonomically adjustable flat panel displays ("Patent IV").

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

(i) it has made, used, offered for sale, imported and sold in the United States of America, and continues to make, use, offer for sale, import and sell in the United States of America flat panel displays which infringe Patent IV, induces others to infringe, and/or contributorily infringe Patent IV; and

(ii) the plaintiff has suffered damages as a result of the infringing activities, and will continue to suffer such damage as long as those infringing activities continue.

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.

38 Commitments

(a) Capital commitments for plant and equipment

	Group	
	2005	2004
	US$'000	US$'000
Contracted but not provided for	**11,970**	2,699

At 31st December 2005, the Company did not have any significant capital commitment (2004: Nil).

(b) Commitments under operating leases

At 31st December 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building as follows:

	Group	
	2005	2004
	US$'000	US$'000
Not later than one year	**676**	1,125
Later than one year and not later than five years	**2,701**	412
	3,377	1,537

At 31st December 2005, the Company did not have any significant commitment under operating leases (2004: Nil).

38 Commitments (Continued)

(c) At 31st December 2005, 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:

	Group	
	2005	2004
	US$'000	US$'000
Sell Euros for US dollars	**10,732**	3,796
Sell Japanese Yen for US dollars	**6,000**	–
Sell US dollars for Renminbi	**1,035,000**	440,000
Sell Renminbi for US dollars	**1,045,000**	425,000

At 31st December 2005, the Company did not have any outstanding commitment in respect of forward contracts (2004: Nil).

39 Business combinations

(a) On 5th September 2005, the Company acquired from Philips, an independent third party prior to the transaction, 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 was satisfied by issuance of new shares by the Company, representing 15% of the enlarged issued share capital of the Company, and convertible bond.

The acquired business contributed revenues of US$697,398,000 and net profit of US$5,951,000 to the Group for the period from 5th September 2005 to 31st December 2005. It is impracticable to disclose the revenue and profit and loss of the combined entity as though the acquisition had occurred on 1st January 2005 as the information is not available to the Group.

Details of net assets acquired and goodwill are as follows:

	2005
	US$'000
Purchase consideration:	
– Current account with Philips	**52,652**
– Direct costs relating to the acquisition	**5,816**
– Fair value of shares issued (Notes 25 & 26)	**177,137**
– Fair value of convertible bond (Note 35)	**251,640**
Total purchase consideration	**487,245**
Fair value of net assets acquired – shown as below	**149,403**
Goodwill (Note 13)	**337,842**

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Philips Contributed Business.

The fair value of the shares issued was based on the share price of the Company at the date of acquisition and the details of the fair value of the convertible bond have been disclosed in Note 35.

39 Business combinations (Continued)

(a) The assets and liabilities arising from the acquisition are as follows:

	Fair value and acquiree's carrying amount US$'000
Property, plant and equipment (Note 14)	18,315
Deferred tax assets (Note 28)	7,104
Inventories	165,543
Trade receivables	284,025
Deposits, prepayments and other receivables	5,191
Trade payables	(304,606)
Other payables and accruals	(12,107)
Warranty provisions (Note 32)	(5,693)
Net assets	157,772
Minority interest	(8,369)
Net assets acquired	149,403

There was no cash flow on acquisition of the subsidiary.

(b) On 1st December 2005, the Company acquired the remaining interests of TPV Beijing, a then associated company, from BOE, a substantial shareholder of the Company, Multi-Lines Investments Limited and Legend Holdings Limited. The consideration should be valued at 4.1% of the enlarged market capitalization of the Company which was satisfied by issuance of new shares by the Company.

The acquired business contributed revenues of US$82,304,000 and net profit of US$2,065,000 to the Group for the period from 1st December 2005 to 31st December 2005. If the acquisition had occurred on 1st January 2005, Group revenue would have been US$5,622,192,000 and profit before allocations would have been US$157,909,000.

Details of net assets acquired and goodwill are as follows:

	2005 US$'000
Purchase consideration:	
– Fair value of shares issued (Notes 25 & 26)	**76,761**
Fair value of net assets acquired – shown as below	**60,330**
Goodwill (Note 13)	**16,431**

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of TPV Beijing.

The fair value of the shares issued was based on the published share.

39 Business combinations (Continued)

(b) The assets and liabilities arising from the acquisition are as follows:

	Fair value US$'000	Acquiree's carrying amount US$'000
Property, plant and equipment (Note 14)	34,453	30,222
Land use rights (Note 15)	10,384	1,898
Deferred tax assets (Note 28)	887	887
Inventories	56,036	56,036
Trade receivables	200,174	200,174
Deposits, prepayments and other receivables	9,084	9,084
Cash and cash equivalents	6,643	6,643
Trade payables	(161,647)	(161,647)
Other payable and accruals	(8,626)	(8,626)
Warranty provisions (Note 32)	(3,750)	(3,750)
Borrowings	(40,085)	(40,085)
Net assets	103,553	90,836
Existing shareholding (41.74%)	(37,915)	
Existing shareholding on assets revaluation reserve	(5,308)	
Net assets acquired	60,330	
Purchase consideration settled in cash		–
Cash and cash equivalents in subsidiary acquired		(6,643)
Cash inflow on acquisition		(6,643)

There were no acquisitions in the year ended 31st December 2004.

40 Related party transactions

(a) As at 31st December 2005, the substantial shareholders of the Company are BOE and Philips, which owned 23.64% and 14.66% of the Company's issued shares respectively.

(b) During the year, the Group had the following significant transactions with its then associated company, TPV Beijing, its associated company, Envision Peripherals, Inc., and its substantial shareholders, BOE and Philips, which were carried out in the normal course of the Group's business:

	Note	**2005 US$'000**	2004 US$'000
Sales of raw materials and finished goods to a then associated company	(i)	**40,405**	27,094
Sales of finished goods to an associated company	(ii)	**81,616**	68,572
Sales of finished goods to Philips and its subsidiaries	(ii)	**539,207**	–
Purchases of raw materials, finished goods, fixed assets and low value consumables from a then associated company	(iii)	**(184,533)**	(162,901)
Purchases of raw materials from BOE and its subsidiaries	(iv)	**(72,968)**	(87,028)
Purchases of raw materials from Philips and its subsidiaries	(iv)	**(276,572)**	–
Technical support service fee received from a then associated company	(v)	**3,595**	3,746
Warranty cost recovery from a then associated company	(vi)	**2,895**	2,716
IT service fee paid to Philips and its subsidiaries	(vii)	**(1,421)**	–

40 Related party transactions (Continued)

Notes:

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

(ii) Sales of finished goods were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

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

(iv) Purchases of raw materials were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(v) Technical support service fee received was charged at terms as agreed between the transacting parties.

(vi) Warranty cost recovery from a then associated company was charged at terms as agreed between the transacting parties.

(c) Key management compensation

	2005 US$'000	2004 US$'000
Salaries and other short-term employee benefits	**1,370**	1,386
Share-based payments	**782**	861
	2,152	2,247

(d) Year-end balances arising from sales/purchases of goods

	2005 US$'000	2004 US$'000
Receivables from related parties:		
Associated companies (Note 22):		
– Envision Peripherals, Inc.	**34,950**	15,581
– HannStar Display (Wuhan) Corp.	**14**	–
– CPT TPV Optical (Fujian) Co., Ltd	**114**	–
	35,078	15,581
A substantial shareholder and its subsidiaries:		
– Philips and its subsidiaries	**407,070**	–
Payables to related parties:		
A then associated company		
– Beijing Orient Top Victory Electronics Co., Ltd. (Note 31)	**–**	8,838
Substantial shareholders and their subsidiaries:		
– BOE and its subsidiaries	**17,966**	12,709
– Philips and its subsidiaries	**99,642**	–
	117,608	12,709

41 Events after the balance sheet date

On 9th March 2006, the Company issued 106,500,000 new shares at US$1.15 per share (or equivalent to HK$9.00 per share) to certain third parties, resulting in a net proceeds of approximately US$120,000,000. These shares rank pari passu with the existing shares of the Company.

42 Approval of accounts

The accounts were approved by the board of directors on 3rd April 2006.