

Notes to the Financial Statements

For the year ended 30 June 2004

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in notes 13 and 14, respectively.

Although the Group had net cash outflows from operating activities of HK\$496,833,000 for the year ended 30 June 2004, the directors are satisfied that with the existing resources and bank facilities available to the Group, the Group has sufficient working capital for its current requirement. Accordingly, the financial statements have been prepared on a going concern basis.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKICPA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in policy, the balance on the Group's asset revaluation reserve at 1 July 2002 has been decreased by approximately HK\$5,261,000, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's land and buildings at that date. The effect of the change in accounting policy on the results of the Group for the current year and for the year ended 30 June 2003 is not significant.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 30 June each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in the reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 July 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves and will be credited to the income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1 July 2001 is presented in the balance sheet as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Construction in progress is stated at cost. No depreciation or amortisation is provided for construction in progress until construction is completed and the assets are ready for their intended uses. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation surplus arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case the surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease
Buildings	Over the term of the lease, or 50 years, whichever is the shorter
Leasehold improvements	10% – 20%
Moulds and machinery	10% – 20%
Furniture, equipment and motor vehicles	10% – 30%

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the dates of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

In previous years, cost was calculated using the first-in, first-out method. This change in cost method does not have a material effect on the financial statements of the Group.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated market value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under that standard.

Turnover

Turnover represents the gross amount received and receivable for goods sold, net of returns and discounts, to outsiders during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service fee income is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Forward contracts

A forward contract is an agreement to exchange different currencies at a specified future date and at a specified rate. A non-speculative forward contract is one which is designated and effective as a hedge of a net investment in a foreign entity, of a foreign currency asset, of a net monetary asset or liability or of a firm commitment. All other forward contracts, or parts of forward contracts in excess of the amount hedged, are speculative.

Where a forward contract is speculative, the gain or loss, both realised and unrealised, is credited or charged to the income statement.

Notes to the Financial Statements

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Forward contracts *(continued)*

Where a non-speculative forward contract is used as a hedge of a net investment in a foreign entity or of a foreign currency asset, the discount or premium on the contract is taken to reserves with the gain or loss.

Where a non-speculative forward contract is used as a hedge of a net monetary asset or liability, the gain or loss and the discount or premium on the contract is taken to the income statement.

Where a non-speculative forward contract is used as a hedge of a firm commitment, no gain or loss is recognised during the commitment period. At the end of that period, any gain or loss is added to, or deducted from, the amount of the relevant transaction. The discount or premium on the contract is deferred with the gain or loss.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as an expense as they fall due.

4. SEGMENTAL INFORMATION

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, 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 the other business segments. Summary details of the business segments are as follows:

- (a) the CRT computer monitors segment, which engages in the manufacturing, trading and distribution of CRT computer monitors;
- (b) the LCD monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors; and
- (c) the computer monitor components and parts segment, which engages in the manufacturing, trading and distribution of computer monitor components and parts.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes to the Financial Statements

For the year ended 30 June 2004

4. SEGMENTAL INFORMATION (continued)

Business segments

For the year ended 30 June 2004

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Computer monitor components and parts HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
INCOME STATEMENT					
TURNOVER					
Sales to external customers	3,987,388	4,385,000	323,111	–	8,695,499
Inter-segment sales*	–	–	244,068	(244,068)	–
	3,987,388	4,385,000	567,179	(244,068)	8,695,499
RESULTS					
Segment results	151,912	107,757	27,061	–	286,730
Unallocated corporate income					44,926
Unallocated corporate expenses					(76,721)
Profit from operations					254,935
Finance costs					(75,767)
Share of results of associates					(2,894)
Profit before taxation					176,274
Income tax expense					(25,460)
Profit before minority interests					150,814
Minority interests					(2,376)
Net profit for the year					148,438
BALANCE SHEET					
ASSETS					
Segment assets	1,948,309	2,477,008	642,328	–	5,067,645
Interests in associates	–	–	3,988	–	3,988
Unallocated corporate assets					832,768
Consolidated total assets					5,904,401
LIABILITIES					
Segment liabilities	1,250,154	927,213	33,318	–	2,210,685
Bank and other borrowings					2,617,141
Obligations under finance leases					15,176
Unallocated corporate liabilities					170,723
Consolidated total liabilities					5,013,725
OTHER INFORMATION					
Capital additions	88,112	128,156	72,304	–	288,572
Depreciation and amortisation	44,857	24,006	8,837	–	77,700
Allowance for bad and doubtful debts	1,105	11,912	–	–	13,017
Allowance for obsolete inventories	9,482	7,246	863	–	17,591

* Inter-segment sales were charged with reference to the prevailing market prices.

Notes to the Financial Statements

For the year ended 30 June 2004

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the year ended 30 June 2003

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Computer monitor components and parts HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
INCOME STATEMENT					
TURNOVER					
Sales to external customers	3,393,222	3,385,859	166,170	–	6,945,251
Inter-segment sales*	–	–	160,367	(160,367)	–
	3,393,222	3,385,859	326,537	(160,367)	6,945,251
RESULTS					
Segment results	106,687	108,818	28,783	–	244,288
Unallocated corporate income					18,718
Unallocated corporate expenses					(79,238)
Profit from operations					183,768
Finance costs					(55,536)
Gain on disposal of subsidiaries					2,739
Profit before taxation					130,971
Income tax expense					(17,428)
Profit before minority interests					113,543
Minority interests					(3,968)
Net profit for the year					109,575
BALANCE SHEET					
ASSETS					
Segment assets	1,719,743	1,351,317	63,199	–	3,134,259
Unallocated corporate assets					557,370
Consolidated total assets					3,691,629
LIABILITIES					
Segment liabilities	631,623	724,087	61,541	–	1,417,251
Bank and other borrowings					1,399,387
Obligations under finance leases					1,218
Unallocated corporate liabilities					143,579
Consolidated total liabilities (as restated)					2,961,435
OTHER INFORMATION					
Capital additions	37,733	38,206	13,957	–	89,896
Depreciation and amortisation	30,171	21,006	6,030	–	57,207
Allowance for bad and doubtful debts	16,642	–	–	–	16,642
Allowance for obsolete inventories	14,990	2,971	193	–	18,154

* Inter-segment sales were charged with reference to the prevailing market prices.

Notes to the Financial Statements

For the year ended 30 June 2004

4. SEGMENTAL INFORMATION *(continued)*

Geographical segments

The following tables provide an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Contribution to profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
North America	2,659,132	2,868,939	88,112	81,212
Western Europe	2,776,602	2,055,838	22,461	49,271
Asia	2,881,398	1,637,278	120,245	95,930
Others	378,367	383,196	55,912	17,875
	8,695,499	6,945,251	286,730	244,288
Unallocated corporate income			44,926	18,718
Unallocated corporate expenses			(76,721)	(79,238)
			254,935	183,768

Notes:

- (i) Western Europe mainly includes Belgium and France.
- (ii) Asia mainly includes Taiwan and the People's Republic of China (the "PRC").

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
North America	549,512	390,081	12,969	463
Western Europe	242,001	119,604	258	678
Asia	4,209,057	2,989,304	260,396	88,224
Others	903,831	192,640	14,949	531
	5,904,401	3,691,629	288,572	89,896

Notes to the Financial Statements

For the year ended 30 June 2004

5. OTHER OPERATING INCOME

Other operating income includes:

	2004 HK\$'000	2003 HK\$'000
Interest income	1,770	1,426
Repair service income	10,932	3,989

6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs including directors' remuneration (note 7)	205,600	158,381
Retirement benefits scheme contributions	7,259	4,330
	212,859	162,711
Allowance for bad and doubtful debts	13,017	16,642
Allowance for obsolete inventories	17,591	18,154
Auditors' remuneration		
Current year	1,269	950
Underprovision in previous years	–	300
Deficit on revaluation of land and buildings	568	914
Depreciation and amortisation		
Owned assets	76,178	56,101
Assets held under finance leases	1,522	1,106
Gain on disposal of property, plant and equipment	(578)	(1,532)
Net exchange gain	(22,860)	(13,931)

Notes to the Financial Statements

For the year ended 30 June 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Director's fees		
Non-executive directors	50	60
Independent non-executive directors	480	480
	530	540
Other emoluments		
Executive directors		
Salaries and other benefits	11,828	11,170
Retirement benefits scheme contributions	150	154
	11,978	11,324
Total emoluments	12,508	11,864

	2004 No. of directors	2003 No. of directors
Emoluments of the directors were within the following bands:		
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	1

Of the five individuals with the highest emoluments in the Group, four (2003: four) individuals were directors of the Company whose emoluments are included in the disclosure set out above. The aggregate emoluments of the five highest paid individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	10,248	12,140
Retirement benefits scheme contributions	84	154
	10,332	12,294

Notes to the Financial Statements

For the year ended 30 June 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2004 No. of individuals	2003 No. of individuals
Emoluments of the five highest paid individuals were within the following bands:		
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	2

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank overdrafts and borrowings wholly repayable within five years	75,120	49,986
Bank borrowings not wholly repayable within five years	330	–
Other borrowings wholly repayable within five years	176	178
Finance leases	141	131
Convertible bonds	–	2,673
	75,767	52,968
Provision for premium on redemption of convertible bonds	–	2,568
	75,767	55,536

Notes to the Financial Statements

For the year ended 30 June 2004

9. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	593	600
Overprovision in previous years	(1,617)	(115)
	(1,024)	485
Other jurisdictions		
Current year	32,346	11,114
(Over) underprovision in previous years	(5,862)	5,829
	26,484	16,943
	25,460	17,428

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and, followed by a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. Accordingly, provision for the PRC enterprise income tax has been made after taking account of these tax incentives during the year.

The Company's subsidiary operating in Brazil is eligible for a 75%, 50% and 25% relief from income tax for the period from November 1999 to 31 December 2004, for the five years ending 31 December 2009 and for the five years ending 31 December 2014, respectively.

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For the year ended 30 June 2004

9. INCOME TAX EXPENSE (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	176,274	130,971
Tax at the domestic income tax rate of 15% (2003: 15%)	26,441	19,646
Tax effect of expenses not deductible for tax purpose	3,630	3,701
Tax effect of income not taxable for tax purpose	(1,022)	(1,668)
Under(over)provision in previous years	(7,479)	5,714
Tax effect of tax losses not recognised	3,793	3,929
Tax effect of deferred tax assets not recognised	6,357	2,334
Utilisation of tax losses previously not recognised	(643)	(517)
Effect of tax exemptions granted to the PRC and Brazil subsidiaries	(12,086)	(14,322)
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,469	(1,389)
Tax charge for the year	25,460	17,428

Note: The domestic tax rate in the jurisdiction where the operations of the Group are substantially based is used.

Details of the deferred taxation are set out in note 24.

10. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid for the year ended 30 June 2004: HK2.8 cents (2003: HK1.7 cents) per share	17,973	10,991
Final dividend proposed for the year ended 30 June 2004: HK1.2 cents (2003: HK2.0 cents) per share	7,704	12,792
	25,677	23,783

The final dividend of HK1.2 cents (2003: HK2.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic earnings per share	148,438	109,575
Effect of dilutive potential ordinary shares in respect of convertible bonds	–	2,673
Earnings for the purpose of diluted earnings per share	148,438	112,248

	2004 Number of shares	2003 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	640,192,691	635,514,129
Effect of dilutive potential ordinary shares in respect of:		
Share options	3,780,184	–
Convertible bonds	–	30,051,852
Weighted average number of ordinary shares for the purpose of diluted earnings per share	643,972,875	665,565,981

For the year ended 30 June 2003, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding share options as the exercise price was higher than the average fair value per share.

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Moulds and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 July 2003	228,270	45,060	411,179	81,615	3,338	769,462
Currency realignment	553	105	(448)	521	(212)	519
Additions	54,550	1,990	57,336	38,433	136,263	288,572
Transfer	-	1,359	70,594	-	(71,953)	-
Revaluation surplus	13,327	-	-	-	-	13,327
Disposals	-	(970)	(1,665)	(2,284)	-	(4,919)
At 30 June 2004	296,700	47,544	536,996	118,285	67,436	1,066,961
Comprising:						
At cost	-	47,544	536,996	118,285	67,436	770,261
At valuation - 2004	296,700	-	-	-	-	296,700
	296,700	47,544	536,996	118,285	67,436	1,066,961
DEPRECIATION AND AMORTISATION						
At 1 July 2003	-	22,965	166,574	42,707	-	232,246
Currency realignment	-	32	(168)	148	-	12
Provided for the year	7,853	3,830	52,697	13,320	-	77,700
Eliminated on revaluation	(7,853)	-	-	-	-	(7,853)
Eliminated on disposals	-	(502)	(318)	(460)	-	(1,280)
At 30 June 2004	-	26,325	218,785	55,715	-	300,825
NET BOOK VALUES						
At 30 June 2004	296,700	21,219	318,211	62,570	67,436	766,136
At 30 June 2003	228,270	22,095	244,605	38,908	3,338	537,216

Notes to the Financial Statements

For the year ended 30 June 2004

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of properties shown above comprises:

	2004 HK\$'000	2003 HK\$'000
At valuation:		
Properties held under long leases or long-term land use rights outside Hong Kong	71,000	30,370
Properties held under medium-term leases in Hong Kong	43,500	45,000
Properties held under medium-term leases or land use rights outside Hong Kong	153,200	137,900
	196,700	182,900
Freehold land and buildings outside Hong Kong	29,000	15,000
Total	296,700	228,270

At 30 June 2004, the leasehold land and buildings of the Group were valued on an open market value basis by Sallmanns (Far East) Limited and BMI Appraisals Limited, firms of independent professional valuers, at HK\$296,700,000 (2003: HK\$228,270,000). A revaluation surplus, net of minority interests, of approximately HK\$10,975,000 has been credited (2003: a revaluation deficit of HK\$2,434,000 has been charged) to the asset revaluation reserve and a revaluation deficit of approximately HK\$568,000 (2003: HK\$914,000) has been charged to the income statement.

If the land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less depreciation and amortisation at approximately HK\$246,750,000 (2003: HK\$202,182,000).

The net book value of moulds and machinery of the Group includes an amount of HK\$14,105,000 (2003: HK\$7,465,000) in respect of assets held under finance leases.

The Company did not have any property, plant and equipment at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2004

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares	198,887	162,574

The carrying amount of the unlisted shares is based on the book value of the underlying combined net assets of the subsidiaries attributable to the Group on the date of the Group reorganisation or based on the Company's cost of investment.

Particulars of the Company's principal subsidiaries as at 30 June 2004 are as follows:

Name of subsidiary	Principal place of incorporation or establishment/operations	Issued and fully paid share/registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Aceton Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of research and development and engineering services
A Link Limited	British Virgin Islands	Ordinary US\$1	–	100%	Investment holding
Bonwick Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of management system consultancy services
Castle Lion Group Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of marketing services
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK\$40,000,000 Ordinary HK\$100	–	100%	Investment holding and leasing of properties
Gaintle Limited	Hong Kong	Ordinary HK\$2	–	100%	Provision of shipping services
Japan Opto Display Technology Co., Ltd.	Japan	Registered JPY754,000,000	70%	–	Provision of subcontracting services for the manufacture of monitor components and parts
Moxell Group Limited ("Moxell") (formerly known as Westnet Group Ltd.)	British Virgin Islands	Ordinary US\$1	100%	–	Investment holding

Notes to the Financial Statements

For the year ended 30 June 2004

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Principal place of incorporation or establishment/operations	Issued and fully paid share/registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Proview Electronica do Brasil Ltda. (formerly known as EMC Industria e Comercio Do Amazonas Ltda.)	Brazil	Registered R\$23,550,000	–	100%	Manufacture and trading of computer monitors
Proview Electronics Co., Ltd.	Taiwan	Registered NT\$119,600,000	–	100%	Manufacture and trading of computer monitors and monitor components and parts
Proview Group (China) Optronics Investments Limited (formerly known as Golden Kiddon Limited)	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of quality control services
Proview Group (L) Limited	Labuan	Ordinary US\$2	–	100%	Trading of computer monitors and monitor components and parts
Proview Group Limited ("PGL")	British Virgin Islands	Ordinary US\$3,000	100%	–	Investment holding
Proview Industrial Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Investment holding
Proview International (U.K.) Limited	United Kingdom	Ordinary GBP2	–	100%	Trading of computer monitors
Proview Optronics (Shenzhen) Co., Ltd. ("POS") (note ii)	PRC	Registered US\$29,600,000	–	100%	Manufacturing and trading of computer monitors
Proview Services Limited	Labuan	Ordinary US\$1	–	100%	Provision of financial services
Proview Technology (Wuhan) Co., Ltd. ("Proview Wuhan") (note i)	PRC	Registered capital US\$12,000,000 Paid-up capital RMB99,590,400	–	62%	Manufacture and trading of computer monitors

Notes to the Financial Statements

For the year ended 30 June 2004

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Principal place of incorporation or establishment/operations	Issued and fully paid share/registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Proview Technology (Shenzhen) Co., Ltd. ("PTS") (note ii)	PRC	Registered US\$29,600,000	–	100%	Manufacture and trading of computer monitors and computer components and parts
Proview Technology, Inc.	United States of America	Ordinary US\$4,300,000	–	100%	Trading of computer monitors
Suncrown Industrial (Shenzhen) Co., Ltd. ("SC") (note ii)	PRC	Registered US\$1,400,000	–	100%	Manufacture and trading of computer monitor components
XCEL Group Limited (formerly known as Eastern Hawk Limited)	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of procurement services
Yoke Technology (Shenzhen) Co., Ltd. ("Yoke") (note ii)	PRC	Registered US\$15,500,000	–	100%	Manufacture and trading of computer monitor components

Notes:

- (i) Proview Wuhan is an equity joint venture established by the Group and a joint venture partner in the PRC. During the year ended 30 June 2003, the Group acquired an additional 11% equity interest in Proview Wuhan previously held by the joint venture partner.
- (ii) PTS, POS, SC and Yoke are established in the PRC as wholly foreign owned enterprises.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 30 June 2004

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	3,988	–
Advance to an associate	3,789	3,789
Less: allowances for advance to an associate	(3,789)	(3,789)
	3,988	–

Particulars of the associates as at 30 June 2004 are as follows:

Name of associate	Form of business structure	Principal place of incorporation or establishment/operations	Class of share held	Proportion of nominal value of issued/registered capital held by the Group	Principal activity
Finmek HKG Limited	Incorporated	Hong Kong	Ordinary	25%	Investment holding
Finmek Electronic (Shenzhen) Co., Limited	Established	PRC	Registered capital	25%	Manufacture and trading of electronic components
ODER Technology Co., Ltd.	Established	Taiwan	Registered capital	40%	Trading of computer software
Shenzhen Potrans International Logistics Co., Ltd.	Established	PRC	Registered capital	45%	Provision of logistic services

Notes to the Financial Statements

For the year ended 30 June 2004

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Equity securities		
Overseas listed investment securities, at cost net of impairment loss	188	278
Currency realignment	(1)	(96)
	187	182
Overseas unlisted investment securities	–	–
Overseas unlisted other investments	2,832	2,546
	3,019	2,728
Market value of overseas listed securities	273	182
Carrying value analysed for reporting purpose as:		
Current	2,832	2,546
Non-Current	187	182
	3,019	2,728

The Group holds a 50% interest in the share capital of Proview Scandinavia A/S ("Proview Scandinavia"), a company incorporated in Denmark which is engaged in trading of computer monitors. In the opinion of the directors, despite the 50% interest in Proview Scandinavia, the Group is not in a position to exercise significant influence in the financial and operating decisions of Proview Scandinavia. Consequently, the Group's investment in Proview Scandinavia is accounted for as an investment security and included in the Group's overseas unlisted investment securities.

In the opinion of the directors, the carrying value of the Group's overseas unlisted other investments is approximate to their fair values.

16. PREPAYMENTS AND DEPOSITS

The prepayments and deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities in the PRC. The related capital commitments are set out in note 30.

17. DEPOSIT PAID FOR INVESTMENT IN A SUBSIDIARY

The deposit was paid by the Group in respect of an investment in a subsidiary to be established in the PRC, which will be engaged in the manufacturing and trading of computer monitor components.

Notes to the Financial Statements

For the year ended 30 June 2004

18. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	1,058,220	582,752
Work in progress	415,532	42,947
Finished goods	1,131,018	617,232
	2,604,770	1,242,931

Included above are finished goods of approximately HK\$10,886,000 (2003: HK\$27,914,000) which are carried at net realisable value.

19. PROPERTIES HELD FOR SALE

The Group's properties held for sale represent freehold properties held outside Hong Kong.

20. TRADE AND BILLS RECEIVABLES AND POST DATED BANK DRAFTS

The Group's payment terms with customers are normally within 90 days from date of issuance of invoices, except for certain well established customers, where the terms are extended to 180 days. An aged analysis of trade and bills receivables and post dated bank drafts at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	1,171,984	976,851
Between 91 to 180 days	113,056	113,541
Over 181 days	191,205	109,083
	1,476,245	1,199,475

Notes to the Financial Statements

For the year ended 30 June 2004

21. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	1,691,679	1,368,072
Between 91 to 180 days	485,496	38,683
Over 181 days	39,800	17,887
	2,216,975	1,424,642

22. BANK AND OTHER BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank and other borrowings comprise:		
Bank loans	2,532,589	1,338,839
Other loans	–	1,504
Trust receipt loans	84,552	59,044
	2,617,141	1,399,387
Analysed as:		
Secured	120,668	78,680
Unsecured	2,496,473	1,320,707
	2,617,141	1,399,387
The bank and other borrowings are repayable as follows:		
Within one year	2,591,466	1,364,605
More than one year, but not exceeding two years	6,926	33,603
More than two years, but not exceeding five years	6,689	1,179
Over five years	12,060	–
	2,617,141	1,399,387
Less: Amount due within one year shown under current liabilities	(2,591,466)	(1,364,605)
Amount due after one year	25,675	34,782

Notes to the Financial Statements

For the year ended 30 June 2004

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP				
The obligations under finance leases are repayable as follows:				
Within one year	8,554	1,028	7,593	946
In the second year	7,809	303	7,583	272
Less: future finance charges	16,363 (1,187)	1,331 (113)	15,176 N/A	1,218 N/A
Present value of lease obligations	15,176	1,218	15,176	1,218
Less: Amount due within one year shown under current liabilities			(7,593)	(946)
Amount due after one year			7,583	272

It is the Group's policy to lease certain of its moulds and equipment under finance leases. The average lease term is three years. For the year ended 30 June 2004, the average effective borrowing rate was 3.2%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended 30 June 2004

24. DEFERRED TAXATION

THE GROUP

The following are the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Revaluation of properties HK\$
At 1 July 2002	
– as originally stated	–
– adjustment on adoption of SSAP 12 (Revised)	5,261
– as restated	5,261
Credit to equity for the year	(346)
At 30 June 2003	4,915
Charge to equity for the year	4,327
At 30 June 2004	9,242

At the balance sheet date, the Group had unused tax losses of approximately HK\$106 million (2003: HK\$85 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised losses are losses of approximately HK\$48 million (2003: HK\$28 million) and HK\$0.5 million (2003: Nil) that will be expired in twenty years and five years, respectively, since the dates of incurred.

Details of unrecognised deferred tax assets in respect of other deductible temporary differences at the balance sheet date are follows:

	2004 HK\$'000	2003 HK\$'000
Allowance for bad and doubtful debts and inventories	61,719	31,111
Deferred expenditure	11,776	–
	73,495	31,111

No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Financial Statements

For the year ended 30 June 2004

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At 1 July 2002, 30 June 2003 and 30 June 2004	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 2002 and 30 June 2003	635,514,129	63,551
Issue of shares on exercise of share options	6,475,000	648
At 30 June 2004	641,989,129	64,199

26. SHARE OPTION SCHEMES

Old Scheme

The Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme include any employee of the Company or any of its subsidiaries (including any director of the Company or any of its subsidiaries). The Old Scheme became effective on 26 May 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Old Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 25% of the number of shares issued and issuable under the Old Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 for each lot of share options granted. Options may generally be exercised at any time from the date of offer to the 10th anniversary of the date of offer. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares of the Company nor 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

At 30 June 2004, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme at an exercise price of HK\$1.20 was 9,150,000 (2003: 14,775,000), representing 1.4% (2003: 2.3%) of the shares of the Company in issue at that date. 3,825,000 of the share options are exercisable at any time from 1 January 2000 to 31 December 2004, and the remaining 5,325,000 share options are exercisable at any time from 1 January 2001 to 31 December 2005.

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES (continued)

Old Scheme (continued)

The following tables disclose details of the Company's share options under the Old Scheme held by employees (including directors) and movements in such holdings during the year:

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2004
			As at 1 July 2003	Granted during the year Exercised during the year	
(note i)					(note iii)
25 June 1999	1 January 2000 – 31 December 2004	1.20	7,350,000	– (3,525,000)	3,825,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	7,425,000	– (2,100,000)	5,325,000
			14,775,000	– (5,625,000)	9,150,000

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2003
			As at 1 July 2002	Granted during the year Exercised during the year	
(note i)					
25 June 1999	1 January 2000 – 31 December 2004	1.20	7,350,000	– –	7,350,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	7,425,000	– –	7,425,000
			14,775,000	– –	14,775,000

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES (continued)

Old Scheme (continued)

Details of the share options held by the directors included in the above table are as follows:

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2004
			As at 1 July 2003	Granted during the year	Exercised during the year
(note i)					(note iii)
25 June 1999	1 January 2000 – 31 December 2004	1.20	4,775,000	–	(1,375,000)
25 June 1999	1 January 2001 – 31 December 2005	1.20	4,850,000	–	(500,000)
			9,625,000	–	(1,875,000)

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2003
			As at 1 July 2002	Granted during the year	Exercised during the year
(note i)					
25 June 1999	1 January 2000 – 31 December 2004	1.20	4,775,000	–	–
25 June 1999	1 January 2001 – 31 December 2005	1.20	4,850,000	–	–
			9,625,000	–	–

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (iii) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.87.

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES *(continued)*

New Scheme

In compliance with the amendments to the Listing Rules, the directors consider that it is in the interest of the Company to terminate the Old Scheme and to adopt a new share option scheme (the "New Scheme"). An ordinary resolution was passed at the special general meeting of the Company held on 12 February 2003 for the approval of the said adoption of the New Scheme and termination of the Old Scheme.

The New Scheme is adopted for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the New Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The New Scheme should, unless otherwise terminated or amended, remain in force for ten years from 18 February 2003.

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 12 February 2003. Share options lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the New Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the New Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Scheme or any other share option scheme of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES *(continued)*

New Scheme *(continued)*

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the New Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, are subject to prior approval from shareholders in a general meeting.

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options subject to the provisions for early termination set out in the New Scheme. There is no minimum period for which an opinion must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's shares.

During the year ended 30 June 2004, a total of 41,800,000 share options at an exercise price of HK\$2.05 had been granted under the New Scheme and all of them together with share options granted in the previous year at the total of 19,100,000 (2003: 19,950,000) remained outstanding at 30 June 2004, representing 9.5% (2003: 3.1%) of the shares of the Company in issue at that date. 9,175,000 of the share options are exercisable at any time from 24 September 2003 to 23 March 2013, 9,925,000 of the share options are exercisable at any time from 24 March 2004 to 23 March 2013, 14,636,000 of the share options are exercisable at any time from 16 February 2005 to 10 February 2014, 14,760,000 of the share options are exercisable at any time from 16 August 2005 to 10 February 2014 and remaining 12,404,000 of the share options are exercisable at any time from 16 February 2006 to 10 February 2014. Nominal consideration was received by the Company during the year for the options granted under the New Scheme.

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES (continued)

New Scheme (continued)

The following tables disclose details of the Company's share options under the New Scheme held by employees (including directors) and movements in such holdings during the year:

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options		As at 30 June 2004
			As at 1 July 2003	Granted during the year	Exercised during the year
(note i)		(note ii)		(note iii)	(note iv)
24 March 2003	24 September 2003 – 23 March 2013	1.04	9,925,000	–	(750,000)
24 March 2003	24 September 2003 – 28 November 2004	1.04	50,000 (note v)	–	(50,000)
24 March 2003	24 March 2004 – 23 March 2013	1.04	9,925,000	–	–
24 March 2003	24 March 2004 – 28 November 2004	1.04	50,000 (note v)	–	(50,000)
11 February 2004	16 February 2005 – 10 February 2014	2.05	–	14,636,000	–
11 February 2004	16 August 2005 – 10 February 2014	2.05	–	14,760,000	–
11 February 2004	16 February 2006 – 10 February 2014	2.05	–	12,404,000	–
			19,950,000	41,800,000	(850,000)

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options		As at 30 June 2003
			As at 1 July 2002	Granted during the year	Exercised during the year
(note i)		(note ii)		(note iii)	
24 March 2003	24 September 2003 – 23 March 2013	1.04	–	9,975,000	–
24 March 2003	24 March 2004 – 23 March 2013	1.04	–	9,975,000	–
			–	19,950,000	–

Notes to the Financial Statements

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26. SHARE OPTION SCHEMES (continued)

New Scheme (continued)

Details of the share options held by the directors included in the above tables are as follows:

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2004
			As at 1 July 2003	Granted during the year (note iii)	Exercised during the year (note iv)
24 March 2003	24 September 2003 – 23 March 2013	1.04	8,175,000	–	–
24 March 2003	24 March 2004 – 23 March 2013	1.04	8,175,000	–	–
11 February 2004	16 February 2005 – 10 February 2014	2.05	–	1,314,000	–
11 February 2004	16 August 2005 – 10 February 2014	2.05	–	1,314,000	–
11 February 2004	16 February 2006 – 10 February 2014	2.05	–	1,322,000	–
			16,350,000	3,950,000	–
					20,300,000

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	Number of share options		As at 30 June 2003
			As at 1 July 2002	Granted during the year (note iii)	Exercised during the year
24 March 2003	24 September 2003 – 23 March 2013	1.04	–	8,225,000	–
24 March 2003	24 March 2004 – 23 March 2013	1.04	–	8,225,000	–
			–	16,450,000	–
					16,450,000

Notes to the Financial Statements

For the year ended 30 June 2004

26. SHARE OPTION SCHEMES *(continued)*

New Scheme *(continued)*

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (iii) The closing price of the Company's shares immediately before 11 February 2004, the date of grant of the options during the year, was HK\$1.92.
- (iv) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.89.
- (v) The amount represents share options granted to Mr. Yip Ka-kay, Kevin, former director of the Company, with exercise period of share options changed from 24 September 2003 to 23 March 2013 to 24 September 2003 to 28 November 2004 and from 24 March 2004 to 23 March 2013 to 24 March 2004 to 28 November 2004 followed his resignation on 28 November 2003.

27. RESERVES

The contributed surplus of the Group arose as a result of the Group reorganisation in 1997 and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor.

The capital reserve comprises approximately HK\$1,184,000 (2003: HK\$1,184,000) in respect of negative goodwill and approximately HK\$114,083,000 (2003: HK\$63,310,000) in respect of capitalisation of accumulated profits of subsidiaries as their paid up capital.

The accumulated profits of the Group include accumulated losses of approximately HK\$2,952,000 (2003: HK\$58,000) attributable to associates of the Group and goodwill arising from acquisition of certain of the Company's subsidiaries of approximately HK\$406,000 (2003: HK\$406,000).

As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are required to maintain a statutory reserve fund which is non-distributable. Appropriations to this reserve fund is made out of net profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of the subsidiaries annually and is not less than 10% of the net profit after taxation of the subsidiaries for that year.

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For the year ended 30 June 2004

27. RESERVES (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 30 June 2004, the Company's reserves available for distribution consisted of contributed surplus of approximately HK\$162,374,000 (2003: HK\$162,374,000) and accumulated profits of approximately HK\$16,003,000 (2003: HK\$12,096,000). In addition, the Company's share premium account of approximately HK\$167,445,000 (2003: HK\$160,458,000) as at 30 June 2004 is available for distribution in the form of fully paid bonus shares.

28. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Investments in securities	—	5,327
Prepayments, deposits and other receivables	—	61
Bank balances and cash	—	10
Accruals and other payables	—	(18)
	—	5,380
Gain on disposal of subsidiaries	—	2,739
Total consideration	—	8,119
Satisfied by:		
Cash	—	8,119
Net cash inflow arising on disposal:		
Cash received	—	8,119
Bank balances and cash disposed of	—	(10)
	—	8,109

The subsidiaries disposed of during the year ended 30 June 2003 did not contribute significantly to the turnover, operating results or cash flows of the Group for that year.

Notes to the Financial Statements

For the year ended 30 June 2004

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2004, the Group entered into finance leases in respect of moulds and equipment with a total capital value at the inception of the leases of HK\$15,010,000.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital commitments contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	22,455	5,619
Investments in associates	6,706	6,706
	29,161	12,325

31. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases during the year:		
Land and buildings	19,991	21,322
Plant and machinery	5,523	494
	25,514	21,816

Notes to the Financial Statements

For the year ended 30 June 2004

31. OPERATING LEASE COMMITMENTS *(continued)*

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	34,844	15,251
In the second to fifth year inclusive	19,050	26,211
	53,894	41,462

Operating lease payments represent rentals payable by the Group for certain of its office properties, factory land and buildings and plant and machinery. The lease term for its office properties and factory land and buildings is ranged from one to four years and for its plant and machinery is one year. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

At the balance sheet date, the Group had no outstanding commitments under non-cancellable operating leases in respect of plant and machinery.

The Company had no outstanding commitments under non-cancellable operating leases as at the balance sheet date.

The Group as lessor

Property rental income earned during the year, net of negligible outgoings was HK\$2,314,000 (2003: Nil).

At balance sheet date, the Group had contracted with tenants for the following future minimum lease payment, which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	867	–
In the second to fifth year inclusive	374	–
	1,241	–

The Company had no operating lease arrangements with tenants under non-cancellable operating leases as at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2004

32. FORWARD CONTRACTS COMMITMENTS

At the balance sheet date, the Group had forward contracts commitments, expressed in US\$ thousands, as follows:

	2004 US\$'000	2003 US\$'000
Principal amounts of forward contracts held for hedging purpose against sales and purchases:		
– sale of United States Dollars	40,000	–
– purchase of United States Dollars	40,000	–

33. PLEDGE OF ASSETS

As 30 June 2004, the Group's bank and other loans facilities were secured by:

- (i) certain plant and machinery of the Group with a net book value of approximately HK\$42,829,000 (2003: HK\$13,193,000);
- (ii) pledge of bank deposits with an aggregate amount of approximately HK\$62,946,000 (2003: HK\$41,970,000);
- (iii) first legal charges over certain land and buildings of the Group of approximately HK\$139,300,000 (2003: HK\$152,600,000); and
- (iv) personal guarantees from a director of the Company and two directors of a subsidiary of the Company.

At 30 June 2003, the Group's bank facilities were also secured by:

- (v) pledge of trade receivables of NT\$43,115,000 (equivalent to approximately HK\$10,003,000).

Notes to the Financial Statements

For the year ended 30 June 2004

34. CONTINGENT LIABILITIES

At 30 June 2004, the Group and the Company had the following contingent liabilities:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in respect of general banking and loan facilities granted to certain subsidiaries of the Company	–	–	3,531,036	1,954,464
Bills of exchange discounted with recourse	12,559	–	–	–
	12,559	–	3,531,036	1,954,464

35. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC and a pension plan in Taiwan based on certain percentages of the monthly salaries of the employees of the Group's subsidiaries operating in the PRC and in Taiwan, respectively. The Group has no other obligations under these pension schemes/plans other than the contribution payments.

During the year, the total amounts contributed by the Group to the relevant retirement benefits schemes are as follows:

	2004 HK\$'000	2003 HK\$'000
MPF Scheme	625	318
State pension schemes	5,598	3,280
Pension plan	1,036	732
	7,259	4,330

Notes to the Financial Statements

For the year ended 30 June 2004

36. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the year, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK\$998,200 (2003: HK\$1,448,000) to Isystems Technology, Inc. ("Isystems"), a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) own 19.4% and 16.8% of the issued share capital of Isystems, respectively.

The rentals were charged in accordance with the terms of the tenancy agreement entered into between the Group and Isystems.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated balance sheet and in note 14.

(c) Bank facilities

In addition to the pledge of the Group's assets as set out in note 33, certain of the Group's bank facilities as at the balance sheet date were also secured by the personal guarantees from a director of the Company and two directors of a subsidiary of the Company.

37. POST BALANCE SHEET EVENT

On 8 October 2004, Moxell and PGL and Motorola, Inc. ("Motorola") have entered into a mutual general release and termination agreement to release all parties' obligations and duties under the license agreement dated 11 September 2003 and its amendments thereto entered into among Motorola, Moxell and PGL. The parties on the same date entered into a new license agreement, under which Motorola as licensor will grant a non-exclusive right to Moxell to use its trademarks and/or its copyrights upon certain computer display products of the Group and in connection with the manufacture, sale, marketing and distribution of the said products throughout Asia until 31 December 2006.