

Notes to the Financial Statements

For the year ended 30 June 2005

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 "Stock Exchange").

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.

The financial statements have been prepared on a going concern basis. In the opinion of the directors, they are satisfied that with the existing resources and bank facilities available to the Group, the Group has sufficient working capital for its current requirement.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKAS(s)") and Hong Kong Financial Reporting Standards ("HKFRS(s)") (hereinafter collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005.

HKFRS 3 is applicable to business combination for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30 June 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operation and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 investments in securities, 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.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 but before 1 January 2005 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.

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.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any 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.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(Continued)*

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%

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.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Forward contracts

A forward contract is an agreement to exchange different currencies at a specified future date and at a specified rate. Where a forward contract is speculative, the gain or loss, both realised and unrealised, is credited or charged to the income statement.

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 Others segment, which engages in the manufacturing, trading and distribution of computer monitor components and televisions.

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 2005

4. SEGMENTAL INFORMATION (continued)

For the year ended 30 June 2005

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
INCOME STATEMENT					
TURNOVER					
Sales to external customers	4,121,914	7,180,042	841,392	-	12,143,348
Inter-segment sales*	-	-	325,359	(325,359)	-
	4,121,914	7,180,042	1,166,751	(325,359)	12,143,348
RESULTS					
Segment results	79,220	128,074	40,745	-	248,039
Unallocated corporate income					57,915
Unallocated corporate expenses					(110,193)
Profit from operations					195,761
Finance costs					(129,720)
Share of results of associates	-	-	(1,124)	-	(1,124)
Loss on deemed disposal of a subsidiary	-	-	(690)	-	(690)
Gain on disposal of an associate	-	-	811	-	811
Profit before taxation					65,038
Income tax expense					(32,437)
Profit before minority interests					32,601
Minority interests					4,689
Net profit for the year					37,290
* Inter-segment sales were charged with reference to the prevailing market prices.					
BALANCE SHEET					
ASSETS					
Segment assets	1,931,880	2,814,751	729,184	-	5,475,815
Interests in associates			70,171	-	70,171
Unallocated corporate assets					1,709,973
Consolidated total assets					7,255,959
LIABILITIES					
Segment liabilities	870,382	2,000,559	289,910	-	3,160,851
Bank and other borrowings					3,073,977
Obligations under finance leases					56,499
Unallocated corporate liabilities					52,093
Consolidated total liabilities					6,343,420
OTHER INFORMATION					
Capital additions	52,138	106,051	35,290	-	193,479
Depreciation and amortisation	32,150	44,533	24,036	-	100,719
Allowance for bad and doubtful debts	2,329	10,756	-	-	13,085
Allowance for obsolete inventories	7,922	7,870	2,879	-	18,671

Notes to the Financial Statements

For the year ended 30 June 2005

4. SEGMENTAL INFORMATION (continued)

For the year ended 30 June 2004

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Others 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)	–	(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
* Inter-segment sales were charged with reference to the prevailing market prices.					
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

Notes to the Financial Statements

For the year ended 30 June 2005

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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
North America	3,791,151	2,659,132	89,832	88,112
Western Europe	4,185,470	2,776,602	62,063	22,461
Asia	3,473,839	2,881,398	32,222	120,245
Others	692,888	378,367	63,922	55,912
	12,143,348	8,695,499	248,039	286,730
Unallocated corporate income			57,915	44,926
Unallocated corporate expenses			(110,193)	(76,721)
			195,761	254,935

Notes:

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

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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
North America	1,141,953	549,512	15,744	12,969
Western Europe	671,770	242,001	26,924	258
Asia	4,268,905	4,209,057	134,179	260,396
Others	1,173,331	903,831	16,632	14,949
	7,255,959	5,904,401	193,479	288,572

Notes to the Financial Statements

For the year ended 30 June 2005

5. OTHER OPERATING INCOME

Other operating income includes:

	2005 HK\$'000	2004 HK\$'000
Net exchange gain	27,276	22,860
Repair service income	12,771	10,932
Interest income	4,044	1,770
Gain on disposal of property, plant and equipment	3,783	578

6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration (note 7)	355,964	205,600
Retirement benefits scheme contributions	12,528	7,259
	368,492	212,859
Allowance for bad and doubtful debts	13,085	13,017
Allowance for obsolete inventories	18,671	17,591
Auditors' remuneration	2,363	1,269
Deficit on revaluation of land and buildings	1,837	568
Depreciation and amortisation	100,719	77,700
Impairment loss on investments in securities	2,003	–
Loss on disposal of investment in securities	45	–

Notes to the Financial Statements

For the year ended 30 June 2005

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the ten (2004: ten) directors were as follows:

2005	Mr. Yang Long-san, Rowell HK\$'000	Mr. Wang Ming-chun, Morris HK\$'000	Mr. Chang Su-pong, Steve HK\$'000	Mr. Wong Kui-ming, Luffer HK\$'000	Mr. Yeh Pei-chu, Ivan* HK\$'000	Mr. Lai Chen-chu, Jack* HK\$'000	Ms. Hui Siu-ling, Elina HK\$'000	Mr. Lee Chiu-kang, Alex HK\$'000	Mr. Chan Mo-po, Paul HK\$'000	Mr. Liu Zixian** HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	-	-	240	240	90	570
Other emoluments											
Salaries and other benefits	4,025	1,857	766	1,560	1,200	969	949	-	-	-	11,326
Retirement benefits scheme contributions	-	14	8	12	-	17	12	-	-	-	63
Total emoluments	4,025	1,871	774	1,572	1,200	986	961	240	240	90	11,959
2004	Mr. Yang Long-san, Rowell HK\$'000	Mr. Wang Ming-chun, Morris HK\$'000	Mr. Chang Su-pong, Steve HK\$'000	Mr. Wong Kui-ming, Luffer HK\$'000	Mr. Yeh Pei-chu, Ivan* HK\$'000	Mr. Lai Chen-chu, Jack* HK\$'000	Ms. Hui Siu-ling, Elina HK\$'000	Mr. Lee Chiu-kang, Alex HK\$'000	Mr. Chan Mo-po, Paul HK\$'000	Mr. Yip, Ka-kay, Kevin*** HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	-	-	240	240	50	530
Other emoluments											
Salaries and other benefits	3,995	1,369	894	1,560	1,405	1,126	949	-	-	-	11,298
Retirement benefits scheme contributions	-	14	10	12	-	10	12	-	-	-	58
Total emoluments	3,995	1,383	904	1,572	1,405	1,136	961	240	240	50	11,886

* Mr. Yeh Pei-chu, Ivan and Mr. Lai Chen-chu, Jack resigned as executive directors of the Company on 1 June 2005.

** Mr. Liu Zixian was appointed as an independent non-executive director of the Company on 30 September 2004.

*** Mr. Yip Ka-kay, Kevin resigned as a non-executive director on 28 November 2003.

Notes to the Financial Statements

For the year ended 30 June 2005

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Of the five individuals with the highest emoluments in the Group, three (2004: 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:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	10,903	10,248
Retirement benefits scheme contributions	25	84
	10,928	10,332

	2005 No. of individuals	2004 No. of individuals
Emoluments of the five highest paid individuals were within the following bands:		
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–

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

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank overdrafts and borrowings wholly repayable within five years	129,067	75,120
Bank borrowings not wholly repayable within five years	534	330
Other borrowings wholly repayable within five years	–	176
Finance leases	119	141
	129,720	75,767

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9. INCOME TAX EXPENSE

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	97	593
Under(over)provision in previous years	33	(1,617)
	130	(1,024)
Other jurisdictions		
Current year	28,782	32,346
Under(over)provision in previous years	3,525	(5,862)
	32,307	26,484
	32,437	25,460

Hong Kong Profits Tax is calculated at 17.5% (2004: 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 into 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 2005

9. INCOME TAX EXPENSE (continued)

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	65,038	176,274
Tax at the domestic income tax rate of 15% (2004: 15%)	9,756	26,441
Tax effect of expenses not deductible for tax purpose	5,817	3,630
Tax effect of income not taxable for tax purpose	(1,202)	(1,022)
Under(over) provision in previous years	3,558	(7,479)
Tax effect of tax losses not recognised	14,997	3,793
Tax effect of deferred tax assets not recognised	4,899	6,357
Utilisation of tax losses previously not recognised	(10,405)	(643)
Effect of tax exemptions granted to the PRC subsidiaries	(3,207)	(12,086)
Effect of different tax rates of subsidiaries operating in other jurisdictions	8,224	6,469
Tax charge for the year	32,437	25,460

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 25.

10. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend paid for the year ended 30 June 2005: HK2.2 cents (2004: HK2.8 cents) per share	14,201	17,973
Final dividend proposed for the year ended 30 June 2005: nil (2004: HK1.2 cents) per share	–	7,704
	14,201	25,677

No final dividend is proposed by the directors for the year ended 30 June 2005.

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For the year ended 30 June 2005

11. EARNINGS PER SHARE

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

	2005 HK\$'000	2004 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	37,290	148,438

	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	643,860,704	640,192,691
Effect of dilutive potential ordinary shares – share options	6,267,039	3,780,184
Weighted average number of ordinary shares for the purpose of diluted earnings per share	650,127,743	643,972,875

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 2004	296,700	47,544	536,996	118,285	67,436	1,066,961
Currency realignment	1,566	247	3,046	1,581	1,145	7,585
Additions	65,455	2,232	93,818	21,297	10,677	193,479
Transfer	6,880	–	62,456	–	(69,336)	–
Revaluation surplus	12,303	–	–	–	–	12,303
Deemed disposal of a subsidiary	(41,904)	(11,112)	(20,143)	(824)	(237)	(74,220)
Disposals	–	(790)	(2,447)	(15,130)	–	(18,367)
At 30 June 2005	341,000	38,121	673,726	125,209	9,685	1,187,741
Comprising:						
At cost	–	38,121	673,726	125,209	9,685	846,741
At valuation – 2005	341,000	–	–	–	–	341,000
	341,000	38,121	673,726	125,209	9,685	1,187,741
DEPRECIATION AND AMORTISATION						
At 1 July 2004	–	26,325	218,785	55,715	–	300,825
Currency realignment	–	128	1,319	893	–	2,340
Provided for the year	5,905	3,147	73,228	18,439	–	100,719
Deemed disposal of a subsidiary	(46)	(3,737)	(2,400)	(150)	–	(6,333)
Eliminated on revaluation	(5,859)	–	–	–	–	(5,859)
Eliminated on disposals	–	(187)	(1,010)	(5,924)	–	(7,121)
At 30 June 2005	–	25,676	289,922	68,973	–	384,571
NET BOOK VALUES						
At 30 June 2005	341,000	12,445	383,804	56,236	9,685	803,170
At 30 June 2004	296,700	21,219	318,211	62,570	67,436	766,136

Notes to the Financial Statements

For the year ended 30 June 2005

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties shown above comprises:

	2005 HK\$'000	2004 HK\$'000
At valuation:		
Properties held under long leases or long-term land use rights outside Hong Kong	30,000	71,000
Properties held under medium-term leases in Hong Kong	40,800	43,500
Properties held under medium-term leases or land use rights outside Hong Kong	240,200	153,200
	281,000	196,700
Freehold land and buildings outside Hong Kong	30,000	29,000
Total	341,000	296,700

At 30 June 2005, the leasehold land and buildings of the Group were valued on an open market value basis by BMI Appraisals Limited, a firm of independent professional valuer at HK\$300,200,000 (2004: HK\$296,700,000) and by referring to the subsequent sales price at HK\$40,800,000 (2004: Nil). A revaluation surplus, net of minority interests, of approximately HK\$14,895,000 (2004: HK\$10,975,000) has been credited to the asset revaluation reserve and a revaluation deficit of approximately HK\$1,837,000 (2004: HK\$568,000) 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\$277,189,000 (2004: HK\$246,750,000).

The net book value of land and buildings and moulds and machinery of the Group includes an amount of approximately HK\$56,342,000 (2004: NIL) and HK\$176,000 (2004: HK\$14,105,000) 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 2005

13. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares	162,574	198,887
Amounts due from subsidiaries	512,977	494,469
Amounts due to subsidiaries	295,006	295,446

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.

The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the Company's principal subsidiaries as at 30 June 2005 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	
A Link Limited	BVI	Ordinary US\$1	–	100%	Investment holding
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK\$40,000,000 Ordinary HK\$100	–	100%	Investment holding and leasing of machinery
Gaintle Limited	Hong Kong	Ordinary HK\$2	–	100%	Provision of shipping services
Proview Electronica do Brasil 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

Notes to the Financial Statements

For the year ended 30 June 2005

13. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) 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 Group (China) Optronics Limited	BVI/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")	BVI	Ordinary US\$3,000	100%	–	Investment holding
Proview Industrial Limited	BVI/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") <i>(note i)</i>	PRC	Registered US\$29,600,000	–	100%	Manufacture and trading of computer monitors
Proview Services Limited	Labuan	Ordinary US\$1	–	100%	Provision of financial services
Proview Technology (Wuhan) Co., Ltd. ("Proview Wuhan") <i>(note ii)</i>	PRC	Registered capital US\$12,000,000 Paid-up capital RMB99,590,400	–	62%	Manufacture and trading of computer monitors
Proview Technology (Shenzhen) Co., Ltd. ("PTS") <i>(note i)</i>	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\$3,400,000	–	100%	Trading of computer monitors

Notes to the Financial Statements

For the year ended 30 June 2005

13. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) 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	
Suncrown Industrial (Shenzhen) Co., Ltd. ("SC") <i>(note i)</i>	PRC	Registered US\$1,400,000	–	100%	Manufacture and trading of computer monitor components
Yoke Technology (Shenzhen) Co., Ltd. ("Yoke") <i>(note i)</i>	PRC	Registered US\$15,500,000	–	100%	Manufacture and trading of computer monitor components

Notes:

- (i) POS, PTS, SC and Yoke are established in the PRC as wholly foreign owned enterprises.
- (ii) Proview Wuhan is an equity joint venture established by the Group and a joint venture partner in the PRC.

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 2005

14. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares	–	–	36,313	–
Share of net assets	70,171	3,988	–	–
Advance to an associate	3,789	3,789	–	–
Less: allowances for advance to an associate	(3,789)	(3,789)	–	–
	70,171	3,988	36,313	–

Particulars of the associates as at 30 June 2005 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 activities
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
Shenzhen Protrans International Logistics Co., Ltd.	Established	PRC	Registered capital	45%	Provision of logistic services
Japan Opto Display Technology Co., Ltd.	Incorporated	Japan	Ordinary	44%	Manufacturing and trading of monitor components and parts
長春國科彩晶光電 有限公司	Established	PRC	Registered capital	39%	Manufacturing and trading of monitor components and parts

Notes to the Financial Statements

For the year ended 30 June 2005

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Equity securities		
Overseas listed investment securities, at cost net of impairment loss	151	188
Currency realignment	5	(1)
	156	187
Overseas unlisted other investments	377	2,832
	533	3,019
Market value of overseas listed securities	156	273
Carrying value analysed for reporting purpose as:		
Current	377	2,832
Non-Current	156	187
	533	3,019

16. PREPAYMENTS AND DEPOSITS

The prepayments and deposits were paid by the Group in connection with the acquisition of property, plant and equipment for production facilities in the PRC. The related capital commitments are set out in note 31.

17. DEPOSIT PAID FOR INVESTMENT IN A SUBSIDIARY

At 30 June, 2004, 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. The investment was terminated during the year and the deposit paid was reclassified as other receivables at the balance sheet date.

Notes to the Financial Statements

For the year ended 30 June 2005

18. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	883,122	1,058,220
Work in progress	215,110	415,532
Finished goods	1,319,658	1,131,018
	2,417,890	2,604,770

Included above are finished goods of approximately HK\$14,623,000 (2004: HK\$10,886,000) 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

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 at the balance sheet date is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within 90 days	1,478,057	1,171,984
Between 91 to 180 days	251,631	113,056
Over 181 days	259,329	191,205
	1,989,017	1,476,245

Notes to the Financial Statements

For the year ended 30 June 2005

21. TRADE AND BILLS PAYABLES

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within 90 days	2,260,812	1,691,679
Between 91 to 180 days	737,697	485,496
Over 181 days	20,971	39,800
	3,019,480	2,216,975

22. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is unsecured, interest-free and has no fixed repayment terms.

Notes to the Financial Statements

For the year ended 30 June 2005

23. BANK AND OTHER BORROWINGS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank and other borrowings comprise:		
Bank loans	2,916,919	2,532,589
Trust receipt loans	157,058	84,552
	3,073,977	2,617,141
Analysed as:		
Secured	233,759	120,668
Unsecured	2,840,218	2,496,473
	3,073,977	2,617,141
The bank and other borrowings are repayable as follows:		
Within one year	3,035,305	2,591,466
More than one year, but not exceeding two years	15,507	6,926
More than two years, but not exceeding five years	12,120	6,689
Over five years	11,045	12,060
	3,073,977	2,617,141
Less: Amount due within one year shown under current liabilities	(3,035,305)	(2,591,466)
Amount due after one year	38,672	25,675

Notes to the Financial Statements

For the year ended 30 June 2005

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP				
The obligations under finance leases are repayable as follows:				
Within one year	5,015	8,554	4,917	7,593
In the second to fifth years inclusive	24,229	7,809	21,592	7,583
More than five years	42,034	–	29,990	–
Less: future finance charges	71,278 (14,779)	16,363 (1,187)	56,499 N/A	15,176 N/A
Present value of lease obligations	56,499	15,176	56,499	15,176
Less: Amount due within one year shown under current liabilities			(4,917)	(7,593)
Amount due after one year			51,582	7,583

It is the Group's policy to lease certain of its moulds, equipment and properties under finance leases. The lease term ranged from three to fifteen years. For the year ended 30 June 2005, the average effective borrowing rate was 3.3%. 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 2005

25. 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 2003	4,915
Charge to equity for the year	4,327
At 30 June 2004	9,242
Release on deemed disposal of a subsidiary (<i>note 29</i>)	(1,581)
Charge to equity for the year	3,239
At 30 June 2005	<u>10,900</u>

At the balance sheet date, the Group had unused tax losses of approximately HK\$137 million (2004: HK\$106 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\$42 million (2004: HK\$48 million) and HK\$25 million (2004: HK\$0.5 million) 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:

	2005 HK\$'000	2004 HK\$'000
Allowance for bad and doubtful debts and inventories	93,475	61,719
Deferred expenditure	12,681	11,776
	106,156	73,495

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 2005

26. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At 1 July 2003, 30 June 2004 and 30 June 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 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
Issue of shares on exercise of share options	3,475,000	347
At 30 June 2005	645,464,129	64,546

27. 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 2005, 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 4,250,000 (2004: 9,150,000), representing 0.7% (2004: 1.4%) of the shares of the Company in issue at that date. 4,250,000 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 2005

27. SHARE OPTION SCHEMES (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 (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2004	Number of share options			As at 30 June 2005
				Granted during the year	Exercised during the year (note iii)	Lapsed during the year	
25 June 1999	1 January 2000 – 31 December 2004	1.20	3,825,000	–	(3,475,000)	(350,000)	–
25 June 1999	1 January 2001 – 31 December 2005	1.20	5,325,000	–	–	(1,075,000)	4,250,000
			9,150,000	–	(3,475,000)	(1,425,000)	4,250,000

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2003	Number of share options			As at 30 June 2004
				Granted during the year	Exercised during the year (note iii)	Lapsed during the year	
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

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

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2004	Number of share options			As at 30 June 2005
				Granted during the year	Exercised during the year (note iii)	Lapsed during the year	
25 June 1999	1 January 2000 – 31 December 2004	1.20	3,400,000	–	(3,250,000)	(150,000)	–
25 June 1999	1 January 2001 – 31 December 2005	1.20	4,350,000	–	–	(875,000)	3,475,000
			7,750,000	–	(3,250,000)	(1,025,000)	3,475,000

Notes to the Financial Statements

For the year ended 30 June 2005

27. SHARE OPTION SCHEMES (continued)

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2003	Number of share options			As at 30 June 2004
				Granted during the year	Exercised during the year	Lapsed during the year	
(note i)					(note iii)		
25 June 1999	1 January 2000 – 31 December 2004	1.20	4,775,000	-	(1,375,000)	-	3,400,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	4,850,000	-	(500,000)	-	4,350,000
			9,625,000	-	(1,875,000)	-	7,750,000

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\$1.28.

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.

Notes to the Financial Statements

For the year ended 30 June 2005

27. SHARE OPTION SCHEMES *(continued)*

New Scheme *(Continued)*

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2005

27. SHARE OPTION SCHEMES (continued)

New Scheme (Continued)

During the year ended 30 June 2005, there are no share options had been granted under the New Scheme and all of them together with share options granted in previous years at the total of 54,466,000 (2004: 60,900,000) remained outstanding at 30 June 2005, representing 8.4% (2004: 9.5%) of the shares of the Company in issue at that date. 8,325,000 (2004: 9,175,000) of the share options are exercisable at any time from 24 September 2003 to 23 March 2013, 9,075,000 (2004: 9,925,000) of the share options are exercisable at any time from 24 March 2004 to 23 March 2013, 13,140,000 (2004: 14,636,000) of the share options are exercisable at any time from 16 February 2005 to 10 February 2014, 12,985,000 (2004: 14,760,000) of the share options are exercisable at any time from 16 August 2005 to 10 February 2014 and remaining 10,941,000 (2004: 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.

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 (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2004	Number of share options			As at 30 June 2005
				Granted during the year	Exercised during the year	Lapsed cancellation during the year (note iv)	
24 March 2003	24 September 2003 – 23 March 2013	1.04	9,175,000	–	–	(850,000)	8,325,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	9,925,000	–	–	(850,000)	9,075,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	14,636,000	–	–	(1,496,000)	13,140,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	14,760,000	–	–	(1,775,000)	12,985,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	12,404,000	–	–	(1,463,000)	10,941,000
			60,900,000	–	–	(6,434,000)	54,466,000

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27. SHARE OPTION SCHEMES (continued)

New Scheme (Continued)

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	As at 1 July 2003	Number of share options			As at 30 June 2004
				Granted during the year	Exercised during the year	Lapsed cancellation during the year	
24 March 2003	24 September 2003 – 23 March 2013	1.04	9,925,000	–	(750,000)	–	9,175,000
24 March 2003	24 September 2003 – 28 November 2004	1.04	50,000	–	(50,000)	–	–
24 March 2003	24 March 2004 – 23 March 2013	1.04	9,925,000	–	–	–	9,925,000
24 March 2003	24 March 2004 – 28 November 2004	1.04	50,000	–	(50,000)	–	–
11 February 2004	16 February 2005 – 10 February 2014	2.05	–	14,636,000	–	–	14,636,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	–	14,760,000	–	–	14,760,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	–	12,404,000	–	–	12,404,000
			19,950,000	41,800,000	(850,000)	–	60,900,000

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

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2004	Number of share options			As at 30 June 2005
				Granted during the year	Exercised during the year	Lapsed cancellation during the year (note iv)	
24 March 2003	24 September 2003 – 23 March 2013	1.04	8,175,000	–	–	(1,600,000)	6,575,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	8,175,000	–	–	(1,600,000)	6,575,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	1,314,000	–	–	(366,000)	948,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	1,314,000	–	–	(366,000)	948,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	1,322,000	–	–	(368,000)	954,000
			20,300,000	–	–	(4,300,000)	16,000,000

Notes to the Financial Statements

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27. SHARE OPTION SCHEMES (continued)

New Scheme (Continued)

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

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\$1.28.
- (iv) The share option granted to Mr. Yeh Pei-chu, Ivan and Mr. Lai Chen-chu, Jack were lapsed on 1 June 2005 followed their resignations.

Notes to the Financial Statements

For the year ended 30 June 2005

28. 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 (2004: HK\$1,184,000) in respect of negative goodwill and approximately HK\$114,083,000 (2004: HK\$114,083,000) 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\$4,076,000 (2004: HK\$2,952,000) attributable to associates of the Group.

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.

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 2005, the Company's reserves available for distribution consisted of contributed surplus of approximately HK\$162,374,000 (2004: HK\$162,374,000) and accumulated profits of approximately HK\$26,141,000 (2004: HK\$16,003,000). In addition, the Company's share premium account of approximately HK\$171,267,000 (2004: HK\$167,445,000) as at 30 June 2005 is available for distribution in the form of fully paid bonus shares.

Notes to the Financial Statements

For the year ended 30 June 2005

29. DEEMED DISPOSAL OF A SUBSIDIARY

On 17 September 2004, the Group was deemed to dispose of its equity interest in a subsidiary, Japan Opto Display Technology Co., Ltd. ("JODT") from 70% to 44% upon the injection of capital of ¥446,000,000 from another shareholder. The net assets of JODT at the date of deemed disposal were as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:		
Property, plant and equipment	67,887	—
Trade and bills receivables	16,906	—
Prepayments, deposits and other receivables	1,923	—
Bank balances and cash	17,985	—
Trade and bills payables	(5,162)	—
Accruals and other payables	(35,118)	—
Obligations under finance leases	(7,184)	—
Deferred taxation	(1,581)	—
Minority interests	(16,697)	—
	38,959	—
Exchange reserve released	(279)	—
	38,680	—
Loss on deemed disposal of a subsidiary	(690)	—
	37,990	—
Reclassified to:		
Interest in an associate	37,990	—
Net cash outflow arising on disposal:		
Cash consideration received	—	—
Bank balances and cash disposed of	(17,985)	—
	(17,985)	—

The subsidiaries disposed of during the year ended 30 June 2005 did not contribute significantly to the turnover, operating results or cash flows of the Group.

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2005, the Group entered into finance leases in respect of moulds, equipment and properties with a total capital value at the inception of the leases of HK\$6,462,000 (2004: nil).

Notes to the Financial Statements

For the year ended 30 June 2005

31. CAPITAL COMMITMENTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Capital commitments contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	10,455	22,455
Investments in associates	–	6,706
	10,455	29,161

32. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Minimum lease payments paid under operating leases during the year:		
Land and buildings	25,394	19,991
Plant and machinery	6,565	5,523
	31,959	25,514

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	
	2005 HK\$'000	2004 HK\$'000
Within one year	38,157	34,844
In the second to fifth year inclusive	68,136	19,050
	106,293	53,894

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.

Notes to the Financial Statements

For the year ended 30 June 2005

32. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee (continued)

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\$674,000 (2004: HK\$2,314,000).

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

	2005 HK\$'000	2004 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.

33. FORWARD CONTRACTS COMMITMENTS

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

	2005 US\$'000	2004 US\$'000
Principal amounts of forward contracts:		
– sale of United States Dollars	–	40,000
– purchase of United States Dollars	–	40,000

Notes to the Financial Statements

For the year ended 30 June 2005

34. PLEDGE OF ASSETS

At 30 June 2005, 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\$24,880,000 (2004: HK\$42,829,000);
- (ii) pledge of bank deposits with an aggregate amount of approximately HK\$62,022,000 (2004: HK\$62,946,000);
- (iii) first legal charges over certain land and buildings of the Group of approximately HK\$127,900,000 (2004: HK\$139,300,000); and
- (iv) personal guarantees from a director of the Company and one director of a subsidiary of the Company.

35. CONTINGENT LIABILITIES

At 30 June 2005, the Group and the Company had the following contingent liabilities:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees given to banks in respect of general banking and loan facilities granted to certain subsidiaries of the Company	–	–	2,332,663	3,531,036
Bills of exchange discounted with recourse	19,274	12,559	–	–
	19,274	12,559	2,332,663	3,531,036

During the year, the Group has been involved in two patent litigations. On 19 January 2005, a third party company commenced legal action in the United States of America against the Company and two of its subsidiaries. This action claims damages related to alleged infringement of certain patents in respect of display technology. On 6 June 2005, a third party company filed a complaint in the United States of America against the Company and two of its subsidiaries. The complaint concerns claims for damages related to alleged infringement of patent in respect of wide-view angle display of TFT-LCD panel. The plaintiffs in both complaints have not yet identified the amount of damages sought. The Group is vigorously defending itself in the complaints and the legal proceedings are still ongoing. In the opinion of the directors, the outcome of the litigation cannot be estimated with certainty at this stage. The Court has not yet set schedules for the cases. According to the opinion of the Group's legal advisors, the legal costs associated with the cases cannot be estimated up to the annual report date.

Notes to the Financial Statements

For the year ended 30 June 2005

36. 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:

	2005 HK\$'000	2004 HK\$'000
MPF Scheme	631	625
State pension schemes	10,799	5,598
Pension plan	1,098	1,036
	12,528	7,259

37. 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 (2004: HK\$998,200) 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 notes 14 and 22.

(c) Bank facilities

In addition to the pledge of the Group's assets and set out in note 34, 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 one director of a subsidiary of the Company.