

Notes to the Financial Statements

For the year ended 31 March 2002

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 40.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants, for the first time. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosure reported for the current or prior periods.

Goodwill and negative goodwill

In adoption SSAP 30, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 April 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition after 1 April 2001 is presented as a deduction from non-current assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. The revised accounting policy is set out in note 3 accordingly.

Leases

The adoption of SSAP 14 (Revised) has not had any material effect on the results for the current or prior years. Disclosures for the Group's leasing arrangements as set out in note 35 have been modified so as to comply with the requirements of SSAP 14 (Revised).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

The results of subsidiaries 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.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

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, an associate or a jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions after 1 April 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 balance sheet. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included in the carrying amount of the associate or jointly controlled entity.

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

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

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, an associate or a jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of a subsidiary after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on acquisition of an associate or a jointly controlled entity after 1 April 2001 is included in the carrying amount of the associate or jointly controlled entity.

Negative goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to the income statement 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 in income immediately.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill *(continued)*

Negative goodwill arising on acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity.

Negative goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

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

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Proceeds from sale of trading securities are recognised when the relevant sale contracts become unconditional.

Property, plant and equipment

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

Construction in progress is stated at cost which includes all development expenditure and the direct costs including borrowing costs capitalised attributable to such projects. Construction in progress is not depreciated or amortised until the completion of construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

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.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, as follows:

Leasehold land and land use rights	Over the term of the leases
Buildings	Over the shorter of the term of the leases or 50 years
Other plant and equipment	3 to 5 years

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Technical know-how

Expenditure on acquiring rights to technical know-how from third parties for production of the Group's new or modified products is stated at cost less amortisation and impairment losses. Amortisation is provided to write off the cost on a straight-line basis over a maximum period of four years.

The directors review and evaluate, taking into consideration current results and future prospects, the carrying amount of technical know-how periodically. Where the recoverable amount of the technical know-how has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

Research and development costs

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life subject to a maximum of three years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of another enterprise so as to obtain benefits from its activities.

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

Interest in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence in management, through participation in its financial and operating policy decisions of the investee.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in associates *(continued)*

The results of the associate for the year attributable to the Group is insignificant and accordingly have not been accounted for in the financial statements. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associate, less any identified impairment loss.

Interest in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

In the consolidated balance sheet, interests in the jointly controlled entities are stated at the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities are included in the consolidated income statement.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, is calculated using the first-in, first-out method.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of purchase and attributable expenses. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the net profit or loss for the year.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with through the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effects of timing differences, computed using the liability method, are recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Retirement benefit scheme contributions

The contributions payable to the Group's retirement benefit schemes and mandatory provident fund schemes are charged to the income statement.

Operating leases

Rentals payable under operating leases are charged as expense on a straight-line basis over the term of the relevant lease.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate value of goods sold after goods returns and trade discounts and value added tax. The Group is exempted from payment of value added taxes under the Shen Shui Fa No. (1993) 507 issued by the Shenzhen tax authority for the goods manufactured and sold in Shenzhen, the People's Republic of China ("PRC").

Income from net value added tax payables which exempted from payment under the aforementioned value added tax concession for the year ended 31 March 2002 amounted to HK\$149,570,000 (2001: HK\$126,139,000). Such amounts were included as part of the turnover.

Business segments

The Group is principally engaged in the design, manufacture and sales of colour televisions and audio visual products. No business segment analysis is presented as management considers this as one single business segment.

Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the PRC.

Segment information of the Group by location of customers is presented as below:

For the year ended 31 March 2002

Income statement

	PRC	Other	Consolidated
	HK\$'000	regions	HK\$'000
		HK\$'000	HK\$'000
Revenue			
External sales	4,573,725	1,030,989	5,604,714
Result			
Segment result	22,163	66,932	89,095
Unallocated corporate expenses			(36,889)
Profit from operations			52,206
Interest income			35,124
Finance costs			(8,975)
Share of results of a jointly controlled entity			(1,389)
Profit before taxation			76,966
Taxation			(20,604)
Profit after taxation			56,362

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

At 31 March 2002

Balance sheet

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	2,929,572	1,000,951	3,930,523
Interest in an associate	9,914	–	9,914
Interest in a jointly controlled entity	40,667	–	40,667
Unallocated corporate assets			181,169
Total assets			4,162,273
Liabilities			
Segment liabilities	1,400,309	365,591	1,765,900
Unallocated corporate liabilities			244,320
Total liabilities			2,010,220

Other information

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	134,920	9,612	144,532
Depreciation and amortisation	61,324	3,023	64,347
Impairment loss recognised in the income statement	9,018	–	9,018

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

For the year ended 31 March 2001

Income statement

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales	3,793,122	653,384	4,446,506
Result			
Segment result	(23,415)	(14,917)	(38,332)
Unallocated corporate expenses			(52,557)
Loss from operations			(90,889)
Interest income			50,719
Finance costs			(7,339)
Loss before taxation			(47,509)
Taxation			(49,834)
Loss after taxation			(97,343)

At 31 March 2001

Balance sheet

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	2,508,893	1,079,919	3,588,812
Interest in an associate	9,914	–	9,914
Unallocated corporate assets			73,812
Total assets			3,672,538
Liabilities			
Segment liabilities	1,102,423	152,370	1,254,793
Unallocated corporate liabilities			232,941
Total liabilities			1,487,734

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

Other information

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	92,625	9,833	102,458
Depreciation and amortisation	50,116	2,166	52,282

5. PROFIT (LOSS) FROM OPERATIONS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	2,582	2,000
Underprovision for prior years	300	395
Depreciation and amortisation of property, plant and equipment	64,347	52,282
Amortisation of technical know-how	2,440	1,042
Loss on disposal of property, plant and equipment	429	686
Operating lease rentals in respect of land and buildings	40,075	39,809
Allowance for doubtful debts	3,639	6,946
Allowance for slow-moving inventories	–	43,773
Allowance for warranties	14,053	13,367
Staff costs:		
Research and development	16,539	18,128
Directors' remuneration	8,013	30,741
Others	246,919	243,383
Unrealised losses on investments in securities	–	1,540
and after crediting:		
Interest income	35,124	50,719
Net realised gains on disposal of investments in securities	3,530	–
Written back of allowance for slow-moving inventories	19,629	–

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

6. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on bank borrowings		
– wholly repayable within five years	3,361	–
– not wholly repayable within five years	615	991
Bank charges	4,744	4,042
Net foreign exchange losses	255	2,306
	8,975	7,339

7. DIRECTORS' REMUNERATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	600	600
	600	600
Other emoluments:		
Basic salaries and allowances	6,758	24,597
Retirement benefit scheme contributions	655	544
Compensation for loss of office	–	5,000
	7,413	30,141
	8,013	30,741

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

7. DIRECTORS' REMUNERATION *(continued)*

Other emoluments of the directors disclosed above include the emoluments paid to three independent non-executive directors in aggregate amount of HK\$178,000. The directors' remuneration were within the following bands:

	Number of directors	
	2002	2001
HK\$Nil to HK\$1,000,000	5	4
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$2,500,001 to HK\$3,000,000	–	2
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$10,500,001 to HK\$11,000,000	–	1

Except for a director waived his emoluments during the year amounting to HK\$8,131,000 (2001: HK\$3,519,000), no other directors have waived any emoluments during each of the two years ended 31 March 2002.

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included two (2001: three) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining three (2001: two) individuals are as follows:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries and allowances	7,072	7,019
Bonus	4,900	3,000
Retirement benefit scheme contributions	76	4
Compensation for loss of office	5,500	–
	17,548	10,023

The employees' remuneration were within the following bands:

	Number of individuals	
	2002	2001
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	1	–

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

8. EMPLOYEES' REMUNERATION *(continued)*

The employees' remuneration for the year ended 31 March 2001 included a former director, his emoluments are partially included in note 7 above, his total emoluments together with emoluments of another individual for the year ended 31 March 2001 were included above.

Save as disclosed in notes 7 and 8 above no emoluments were paid by the Group to 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 during each of the two years ended 31 March 2002.

9. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	8,034	122
PRC income tax	11,270	897
Other PRC taxes	–	48,815
Deferred taxation (<i>note 27</i>)	1,300	–
	20,604	49,834

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profits for the year. PRC income tax is calculated at the rates prevailing in the PRC.

Other PRC taxes in prior years were calculated at a composite rate of 15% on the intra-group technical and other services related fees charged to a subsidiary of the Group registered in the PRC.

The Group is in the process of finalising a basis of assessment with the PRC tax authority on various PRC taxes on the technical and service related fees (as described in note 37) for the years 1995 to 1999. During the year, the Group has provisionally paid HK\$6,968,000 (equivalent to RMB7,455,000) related to the other PRC taxes for the year of 1995. At this stage, in the opinion of the directors, the current PRC tax provision is sufficient, and one of the shareholders has, upon listing of the Company's shares on the Stock Exchange, given a tax indemnity in respect of any additional assessments for the PRC taxes for the period up to October 1999.

Details of deferred taxation are set out in note 27.

10. NET PROFIT (LOSS) FOR THE YEAR

Of the Group's net profit for the year of HK\$62,238,000 (2001: net loss of HK\$61,389,000), a net profit of HK\$104,685,000 (2001: HK\$237,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

11. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – HK\$0.05 (2001: nil) per share	103,812	–
Final, proposed – HK\$0.03 (2001: nil) per share	62,573	–
	166,385	–

The final dividend of HK\$0.03 (2001: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 March 2002 is based on the following data:

	<i>HK\$'000</i>
Net profit for the purpose of basic earnings per share:	
Net profit for the year	62,238
Effect of dilutive potential ordinary shares:	
Adjustment to the earnings of subsidiaries in respect of the effect of its dilutive potential ordinary shares	(9,876)
Net profit for the purpose of diluted earnings per share	52,362
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,057,374,044
Effect of dilutive potential ordinary shares:	
Share options	31,761,199
Weighted average number of ordinary shares for purpose of diluted earnings per share	2,089,135,243

The calculation of the basic loss per share for the year ended 31 March 2001 is based on the net loss for the year of HK\$61,389,000 and on the weighted average number of 2,041,643,836 ordinary shares in issue during the year ended 31 March 2001.

The computation of diluted loss per share for the year ended 31 March 2001 does not assume the exercise of the Company's outstanding options as their exercise would result in a decrease in net loss per share.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1 April 2001	177,310	15,073	246,672	31,175	470,230
Additions	3,322	71,887	53,253	16,070	144,532
Transfer	16,732	(16,732)	–	–	–
Disposals	–	–	(1,148)	(1,426)	(2,574)
At 31 March 2002	197,364	70,228	298,777	45,819	612,188
DEPRECIATION AND AMORTISATION					
At 1 April 2001	20,217	–	118,540	13,529	152,286
Provided for the year	7,289	–	49,363	7,695	64,347
Eliminated on disposals	–	–	(919)	(1,226)	(2,145)
At 31 March 2002	27,506	–	166,984	19,998	214,488
NET BOOK VALUES					
At 31 March 2002	169,858	70,228	131,793	25,821	397,700
At 31 March 2001	157,093	15,073	128,132	17,646	317,944

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

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

The net book value of the land and buildings comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Land and buildings situated on:		
Land in Hong Kong held under		
– long leases	31,365	32,005
Land in PRC held under		
– long leases	3,738	2,644
– medium-term leases	134,755	122,444
	169,858	157,093

The construction in progress represents factory buildings and a research and development complex under development on land in the PRC held under medium-term leases.

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares	1,144,051	1,144,051
Amount due from a subsidiary	1,110,099	1,099,957
	2,254,150	2,244,008

Particulars of the Company's principal subsidiaries at 31 March 2002 are set out in note 40.

The amount due from a subsidiary is unsecured, interest free and in the opinion of the directors, the amount will not be repayable within the next twelve months from the balance sheet date, accordingly, the amount is shown as non-current.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

15. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted investment		
Share of net assets	9,914	9,914

The unlisted investment represents the Group's 45% (2001: 45%) equity interest in 東莞創維電子有限公司 Dongguan Skyworth Electronics Co., Ltd., a sino-foreign equity joint venture established in the PRC with a tenure of ten years from 28 April 1991. At 31 March 2002, the associate was in the process of dissolution.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted investment		
Share of net assets	19,639	—
Loan to a jointly controlled entity	21,028	—
	40,667	—

The unlisted investment represents the Group's 45% equity interest on 江蘇國安創維信息產業有限責任公司, a sino-foreign equity joint venture established in the PRC with a tenure of fifty years from 30 April 2001. The jointly controlled entity was principally engaged in the development of internet technology and related products during the year.

The loan to the jointly controlled entity is unsecured, bearing interest at 5.85% per annum and will not be repayable within the next twelve months from the balance sheet date.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

17. TECHNICAL KNOW-HOW

	THE GROUP <i>HK\$'000</i>
COST	
At 1 April 2001 and at 31 March 2002	12,500
AMORTISATION	
At 1 April 2001	1,042
Provided for the year	2,440
Impairment loss recognised during the year	9,018
At 31 March 2002	12,500
CARRYING AMOUNT	
At 31 March 2002	–
At 31 March 2001	11,458

The directors reviewed and evaluated the current results and future prospect of the products that depend on the technical know-how during the year ended 31 March 2002 and considered the amount could not be recoverable and determined to recognise the amount as expense in current period.

18. INVESTMENTS IN SECURITIES

	Trading securities		Other investments		Total	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
THE GROUP						
Equity-linked notes	–	61,232	–	–	–	61,232
Debt securities						
– listed	65,186	–	–	–	65,186	–
– unlisted	27,300	–	–	–	27,300	–
Unlisted equity securities in the PRC	–	–	9,670	1,122	9,670	1,122
Unlisted equity securities in overseas	79,013	–	–	–	79,013	–
	171,499	61,232	9,670	1,122	181,169	62,354
Carrying amount analysed for reporting purposes						
Non-current	–	–	9,670	1,122	9,670	1,122
Current	171,499	61,232	–	–	171,499	61,232
	171,499	61,232	9,670	1,122	181,169	62,354

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

19. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	230,573	244,196
Work in progress	73,310	62,993
Finished goods	546,755	615,330
	850,638	922,519

Included above are raw materials of HK\$43,966,000 (2001: HK\$65,304,000) and finished goods of HK\$201,179,000 (2001: HK\$479,705,000) which are carried at net realisable value.

20. BILLS RECEIVABLE

The following is an aged analysis of bills receivable at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within 30 days	320,321	165,215
31 to 60 days	230,006	85,614
61 to 90 days	132,851	74,985
91 days or over	99,594	67,969
Bills endorsed to suppliers	278,979	239,187
	1,061,751	632,970

21. TRADE AND OTHER RECEIVABLES

Sales to wholesalers and retailers other than department stores in the PRC are generally made a payment on delivery or against bills issued by banks with maturity dates from 30 to 180 days. Sales to department stores in the PRC are made on a consignment basis which is normally settled within one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days of up to a limited amount which is determined on the basis of the sales volume of the respective office.

Export sales of the Group are mainly settled by letters of credit with credit term ranging from 30 to 60 days.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

21. TRADE AND OTHER RECEIVABLES *(continued)*

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	108,956	51,288
31 to 60 days	9,423	5,264
61 to 90 days	1,371	58
91 days or over	137	1,427
Trade receivables	119,887	58,037
Tax reserve certificates	63,310	–
Deposits, prepayment and other receivables	265,671	140,239
	448,868	198,276

22. PLEDGED DEPOSITS

THE GROUP

The pledged deposits have been placed in designated bank accounts in favour of the banks as part of the security for the banking facilities granted to the Group by the banks. Details of the pledge of assets are set out in note 34.

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	421,989	181,044
31 to 60 days	141,217	134,796
61 to 90 days	125,730	68,119
91 days or over	99,687	94,872
Trade payables under endorsed bills	278,979	239,187
Trade payables	1,067,602	718,018
Deposits in advance, accruals and other payables	608,984	494,035
	1,676,586	1,212,053

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

24. BILLS PAYABLE

The following is an aged analysis of bills payable at the balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	13,819	–
31 to 60 days	1,267	–
91 days or over	44,707	–
	59,793	–

25. AMOUNT DUE TO AN ASSOCIATE

THE GROUP

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

26. SECURED BANK BORROWINGS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Secured bank borrowings comprise the following:		
Import loans	4,994	11,163
Mortgage loans	8,234	9,265
	13,228	20,428
The bank borrowings are repayable as follows:		
Within one year or on demand	6,197	12,186
More than one year, but not exceeding two years	1,277	1,121
More than two years, but not exceeding five years	4,323	4,041
More than five years	1,431	3,080
	13,228	20,428
Less: Amounts due within one year or on demand included in current liabilities	(6,197)	(12,186)
Amount due after one year	7,031	8,242

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

27. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of the year	3,900	3,900
Charge for the year (<i>note 9</i>)	1,300	–
Balance at end of the year	5,200	3,900

At the balance sheet date, the major components of the deferred tax liability (asset), provided and unprovided, are as follows:

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	5,200	3,900	–	–
Taxation losses	–	–	(44,306)	(53,655)
	5,200	3,900	(44,306)	(53,655)

The unprovided deferred tax charge for the year in respect of timing differences attributable to taxation losses amounted to HK\$9,349,000 (2001: deferred tax credit of HK\$45,732,000).

The deferred tax asset primarily relating to taxation losses has not been recognised in the financial statements as it is uncertain that the resulting deferred tax asset will be realised in the future.

The Company had no material unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

28. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.1 each:		
Authorised		
At 1 April 2000, 31 March 2001 and 31 March 2002	10,000,000,000	1,000,000
Issued and fully paid		
At 1 April 2000	1,500,000,000	150,000
Issue of shares	550,000,000	55,000
At 31 March 2001	2,050,000,000	205,000
Exercise of share options	27,598,000	2,760
At 31 March 2002	2,077,598,000	207,760

The following changes in the share capital of the Company took place during the two years ended 31 March 2002:

- (a) Pursuant to a resolution passed in writing by the sole shareholder of the Company on 27 March 2000, the directors were authorised to issue and allot a total of 550,000,000 shares of the Company of HK\$0.1 each (including the exercise of the over-allotment option relating to 50,000,000 shares) at a price of HK\$2.07 per share in connection with the new issue and placing. On 6 April 2000 and 12 April 2000, the Company issued and allotted 500,000,000 and 50,000,000 shares respectively at a price of HK\$2.07 per share.
- (b) Details of the exercise of share options are set out in note 29.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

29. SHARE OPTIONS

At 31 March 2002, options granted to certain directors of the Company and employees of the Group, pursuant to the share option scheme, to subscribe for 160,329,000 (2001: 196,961,000) ordinary shares of the Company within the following exercisable periods were set out below:

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2001	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2002
25 November 2000	25 November 2001 to 27 March 2010	0.336	55,198,000	–	(27,598,000)	(8,070,000)	19,530,000
25 November 2000	25 November 2002 to 27 March 2010	0.336	55,950,000	–	–	(8,308,000)	47,642,000
25 November 2000	25 November 2003 to 27 March 2010	0.336	45,640,000	–	–	(6,472,000)	39,168,000
25 November 2000	25 November 2004 to 27 March 2010	0.336	40,173,000	–	–	(5,984,000)	34,189,000
2 April 2001	2 April 2002 to 27 March 2010	0.292	–	500,000	–	–	500,000
2 April 2001	2 April 2003 to 27 March 2010	0.292	–	500,000	–	–	500,000
2 April 2001	2 April 2004 to 27 March 2010	0.292	–	500,000	–	–	500,000
2 April 2001	2 April 2005 to 27 March 2010	0.292	–	500,000	–	–	500,000
23 January 2002	23 January 2003 to 27 March 2010	0.420	–	3,750,000	–	–	3,750,000
23 January 2002	23 January 2004 to 27 March 2010	0.420	–	3,750,000	–	–	3,750,000
23 January 2002	23 January 2005 to 27 March 2010	0.420	–	3,750,000	–	–	3,750,000
23 January 2002	23 January 2006 to 27 March 2010	0.420	–	3,750,000	–	–	3,750,000
25 March 2002	25 March 2003 to 27 March 2010	0.520	–	966,000	–	–	966,000
25 March 2002	25 March 2004 to 27 March 2010	0.520	–	966,000	–	–	966,000
25 March 2002	25 March 2005 to 27 March 2010	0.520	–	868,000	–	–	868,000
			196,961,000	19,800,000	(27,598,000)	(28,834,000)	160,329,000

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

30. SHARE PREMIUM AND RESERVES

	Share premium <i>HK\$'000</i>	Surplus account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
Balance at 1 April 2000	–	102,008	27,952	4,515	869,201	1,003,676
Issue of shares	1,083,500	–	–	–	–	1,083,500
Expenses incurred in connection with issuing of shares	(45,782)	–	–	–	–	(45,782)
Exchange differences on translation of amounts of overseas operations	–	–	–	(201)	–	(201)
Loss for the year	–	–	–	–	(61,389)	(61,389)
Transferred to capital reserve	–	–	1,322	–	(1,322)	–
Balance at 31 March 2001	1,037,718	102,008	29,274	4,314	806,490	1,979,804
Issue of shares	6,513	–	–	–	–	6,513
Exchange differences on translation of amounts of overseas operations	–	–	–	(450)	–	(450)
Profit for the year	–	–	–	–	62,238	62,238
Transferred to capital reserve	–	–	1,383	–	(1,383)	–
Dividend	–	–	–	–	(103,812)	(103,812)
Balance at 31 March 2002	1,044,231	102,008	30,657	3,864	763,533	1,944,293

Included in the capital reserve are PRC statutory reserves amounting to HK\$6,433,000 (2001: HK\$5,050,000) transferred from accumulated profits as required by the relevant PRC laws and regulations applicable to the Group's PRC subsidiaries. The remaining HK\$24,224,000 (2001: HK\$24,224,000) represents negative goodwill arising on acquisition of subsidiaries prior to 1 April 2001.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

30. SHARE PREMIUM AND RESERVES *(continued)*

Surplus account represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Skyworth Digital Technology (Holding) Company Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000 ("Group Reorganisation").

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at 1 April 2000	–	1,001,053	–	1,001,053
Issue of shares	1,083,500	–	–	1,083,500
Expenses incurred in connection with issuing of shares	(45,782)	–	–	(45,782)
Profit for the year	–	–	237	237
Balance at 31 March 2001	1,037,718	1,001,053	237	2,039,008
Issue of shares	6,513	–	–	6,513
Profit for the year	–	–	104,685	104,685
Dividend	–	–	(103,812)	(103,812)
Balance at 31 March 2002	1,044,231	1,001,053	1,110	2,046,394

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Skyworth Digital Technology (Holding) Company Limited at the date on which the Group Reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group Reorganisation.

Under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if;

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

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

30. SHARE PREMIUM AND RESERVES *(continued)*

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2002 HK\$'000	2001 HK\$'000
Contributed surplus	1,001,053	1,001,053
Accumulated profits	1,110	237
	1,002,163	1,001,290

31. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit (loss) before taxation	76,966	(47,509)
Interest income	(35,124)	(50,719)
Interest expenses	3,976	991
Impairment loss of technical know-how	9,018	–
Share of results of a jointly controlled entity	1,389	–
Depreciation and amortisation of property, plant and equipment	64,347	52,282
Amortisation of technical know-how	2,440	1,042
Loss on disposal of property, plant and equipment	429	686
Net realised gain on disposal of investments in securities	(3,530)	–
Unrealised losses on investments in securities	–	1,540
Decrease (increase) in inventories	71,881	(47,356)
Decrease in properties for sale	976	–
Increase in bills receivable	(428,781)	(118,609)
(Increase) decrease in trade and other receivables	(249,095)	85,182
Increase in trade and other payables	464,533	230,167
Increase in bills payable	59,793	–
Net cash inflow from operating activities	39,218	107,697

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium <i>HK\$'000</i>	Mortgage loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 2000	150,000	10,162	36,494
Issue of shares for cash	1,138,500	–	–
Expenses incurred in connection with issuing of shares	(45,782)	–	–
Repayment during the year	–	(897)	–
Share of loss for the year	–	–	(35,954)
Dividend paid to minority shareholders	–	–	(2,748)
Capital contributed by minority shareholders (<i>note 33</i>)	–	–	12,500
Balance at 31 March 2001	1,242,718	9,265	10,292
Issue of shares for cash	9,273	–	–
Repayment during the year	–	(1,031)	–
Share of loss for the year	–	–	(5,876)
Dividend paid to minority shareholders	–	–	(1,102)
Capital contributed by minority shareholders	–	–	959
Balance at 31 March 2002	1,251,991	8,234	4,273

33. MAJOR NON CASH TRANSACTION

During the year ended 31 March 2001, the Group entered into an agreement with a minority shareholder to establish a subsidiary to be engaged in development of computer technology and networks in the PRC. The parties involved agreed that the minority shareholder would contribute the related technical know-how developed by himself to the Group as subscription monies for his equity interests in the said subsidiary.

34. PLEDGE OF ASSETS

At 31 March 2002, the Group's land and buildings with an aggregate net book value of approximately HK\$18,900,000 (2001: HK\$19,400,000) and bank deposits of HK\$33,247,000 (2001: HK\$36,300,000) were pledged to banks to secure the banking facilities granted to the Group.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

35. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	4,605	5,305
In the second to fifth year inclusive	7,835	5,740
Over five years	–	407
	12,440	11,452

Operating lease payments represent rentals payable by the Group for certain of its factory premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

36. CAPITAL COMMITMENTS

At 31 March 2002, the Group had the following capital commitments:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Commitments contracted for but not provided in respect of:		
Factory buildings under construction	55,706	81,394
Purchase of other property, plant and equipment	20,409	19,113
Investment in unlisted equity securities in the PRC	7,800	–
	83,915	100,507
Commitments authorised but not contracted for:		
Investment in a jointly controlled entity and other investments	–	21,776
	83,915	122,283

In addition to the above, the Group's share of the capital commitments of its jointly controlled entity in respect of the purchase of property, plant and equipment contracted but not provided for in its financial statements as at 31 March 2002 amounted to HK\$13,526,000 (2001: nil).

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

37. CONTINGENT LIABILITIES

At 31 March 2002, the Group and the Company had the following contingencies:

(a) At 31 March 2002, the Group had the following contingency:

As a result of its ongoing field audit of Skyworth (Group) Company Limited (“Skyworth (Group)”), the Hong Kong Inland Revenue Department (“HKIRD”) has raised assessments and additional assessments (“Assessments”) on Skyworth (Group) in the aggregate sum of approximately HK\$183,091,000 in respect of technical and other service related fees received by Skyworth (Group) from its subsidiary, 深圳創維 – RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd., during the period from 1 April 1994 to 31 March 2000; such Assessments being on the basis that such income of Skyworth (Group) was sourced in Hong Kong.

The directors consider that the income was sourced in the PRC and have made full provision for the relevant PRC taxes in the financial statements. Accordingly, the directors consider that the income was sourced outside Hong Kong and should not be chargeable to Hong Kong Profits Tax. On this basis, and having taken professional advice, on 3 July 2001, Skyworth (Group) lodged an objection to HKIRD in respect of the Assessments. Then on 16 July 2001 HKIRD issued notices holding over HK\$118,958,000 of the Assessments pending completion of the field audit. Accordingly, on 30 July 2001, Skyworth (Group) purchased Tax Reserve Certificates in the aggregate amount of HK\$63,310,000. The remaining balance of HK\$823,000 was paid on 18 April 2001.

In any event, at the time of listing of the shares of the Company on The Stock Exchange, the then executive directors and a then shareholder of the Company indemnified the Company and its subsidiaries (collectively referred to as the “Indemnifiers”) for any subsequent assessments of taxation made by HKIRD in respect of any profits generated in any period prior to 31 October 1999. On this basis, the directors have estimated that in the event that the Assessments were enforced against Skyworth (Group), approximately by HK\$164,264,000 would in any case be recoverable under the indemnity arrangements.

On 17 July 2001 and 12 January 2002, the Group has given notices to the Indemnifiers requesting payment for the Assessments raised by HKIRD in respect of any profits generated prior to 31 October 1999, amounting to HK\$57,856,000 and HK\$106,408,000 respectively, and together with all costs related.

Notwithstanding the indemnity, however, it remains the intention of the directors to continue to contest vigorously the full amount of the Assessments and also any further assessments that may be raised by HKIRD in respect of such income for periods subsequent to 1 April 2000.

Based on the above Assessments, the calculated effect for the period covered from 1 November 1999 to 31 March 2000 amounted to approximately HK\$20,000,000. On the same basis, the calculated effect for the year ended 31 March 2001 would amount to approximately HK\$52,000,000. Accordingly, the total effect for the period from 1 November 1999 to 31 March 2001 would amount to approximately HK\$72,000,000.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

37. CONTINGENT LIABILITIES *(continued)*

No technical and other service related fees have been received by Skyworth (Group) since 1 January 2001.

Subsequent to 31 March 2002, the directors have instructed Skyworth (Group)'s tax advisers to enter into discussions with the HKIRD for the amicable settlement of this matter. On the basis that such settlement can be reached, no provision for Hong Kong Profits Tax on technical and other service related fees received by Skyworth (Group) either in respect of the Assessments or in respect of the two years ended 31 March 2002 has been made in the financial statements.

- (b) At 31 March 2002, the Company has executed certain corporate guarantees to banks in respect of credit facilities granted to subsidiaries to the extent of HK\$115,000,000 (2001: HK\$237,100,000).

38. RETIREMENT BENEFITS SCHEME

Prior to 1 December 2000, the Group has established a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held under provident funds managed by independent trustees. The Group and its employees are each required to make contributions to the scheme calculated at 5% of individual employee's monthly basic salary. The employees are entitled to the whole of the employer's contributions and accrued interests thereon after completion of 10 years' service, or at a reduced scale after completion of 3 to 9 years' service.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong and all the assets of the Defined Contribution Scheme has been transferred to the MPF Scheme. 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the Scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the Scheme. The pension cost charged represents contribution payable to the funds by the Group at rates specified in the rules of the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The joint venture subsidiary is required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

38. RETIREMENT BENEFITS SCHEME *(continued)*

The aggregate retirement benefit scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group, are as follows:

	2002 HK\$'000	2001 HK\$'000
Retirement benefit scheme contributions made by the Group	1,717	1,227
Pension costs in the PRC	2,435	1,483
Forfeited contributions utilised to offset contributions	–	(161)
Total retirement benefit scheme contributions	4,152	2,549

At 31 March 2002, there were no forfeited contributions available to offset future employers' contributions to the scheme.

39. RELATED PARTY TRANSACTIONS

The Group had entered into the following significant related party transactions during the year:

- (a) The Group paid rental expenses, for leasing warehouse premise, of HK\$246,000 (2001: HK\$246,000) to Main Sea Development Limited, a company in which Mr. Wong Wang Sang, Stephen, the Chairman of the Company, has beneficial interests. The rental expenses were based on a pre-determined monthly amount.
- (b) The Group received interest income, calculated at 5.85% per annum on the outstanding balance of unsecured long-term loans, from the jointly controlled entity of the Group amounting to HK\$205,000 (2001: nil).

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 were as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital attributable to the Group %	Principal activities
深圳創維－RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC	Registered capital RMB12,572,000	75.5	Manufacture and sale of consumer electronic products
Skyworth Broadband Technology Limited	British Virgin Islands	Ordinary shares US\$100	70	Investment holding
創維寬頻技術(深圳)有限公司	PRC	Registered capital US\$1,500,000	70	Trading of broadband technology related products
Skyworth Computer & Network Company Limited	British Virgin Islands	Ordinary shares HK\$37,500,000 and US\$10,000	66.7	Investment holding
創維電腦科技(深圳)有限公司	PRC	Registered capital US\$1,500,000	66.7	Research and development and trading of internet related television technology and related products
Skyworth Digital Technology (Holding) Company Limited	British Virgin Islands	Ordinary shares HK\$893 and preference shares HK\$990	100	Investment holding
Skyworth Display Limited	British Virgin Islands/ PRC	Ordinary share US\$1	100	Trading of optical projecting and display products

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital attributable to the Group %	Principal activities
新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC	Registered capital US\$13,180,000	100	Manufacture of consumer electronic products and property holding
Skyworth (Group) Company Limited	Hong Kong	Ordinary shares HK\$30,600,000 and non-voting deferred shares HK\$2,500,000 <i>(note b)</i>	100	Design and sale of consumer electronic products and investment holding
Skyworth Industries Limited	Hong Kong	Ordinary shares HK\$500,000	100	Investment holding
Skyworth Information Technologies Holdings Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding
創維網絡通訊(深圳) 有限公司	PRC	Registered capital HK\$50,000,000	100	Investment holding
Skyworth Moulds Industrial Company Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding
Skyworth Multimedia International Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding
Skyworth Multimedia International Limited	Hong Kong	Ordinary shares HK\$10,000	100	Manufacture and sale of consumer electronic products
創維多媒體(深圳) 有限公司	PRC	Registered capital US\$1,500,000	100	Manufacture and sale of consumer electronic products

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2002

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital attributable to the Group %	Principal activities
新創維包裝(深圳)有限公司 Skyworth Packing (Shenzhen) Co., Ltd.	PRC	Registered capital US\$350,000	100	Manufacture of packing materials
新創維注塑(深圳)有限公司 Skyworth Plastic (Shenzhen) Co., Ltd.	PRC	Registered capital US\$2,100,000	100	Manufacture of plastic products
Skyworth Sales (Hong Kong) Co., Limited	Hong Kong	Ordinary shares HK\$2	100	Trading of consumer electronic products
Skyworth U.S.A. Inc.	United States of America	Common share US\$1,500	100	Research and development
Winform Inc.	British Virgin Islands/ Hong Kong	Ordinary share US\$1	100	Property holding

Notes:

- (a) The Company directly holds the entire interest in Skyworth Digital Technology (Holding) Company Limited. The interests of all other companies are indirectly held by the Company.
- (b) The non-voting deferred shares carry practically no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at 31 March 2002 or at any time during the year.