

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

4. TURNOVER AND SEGMENT INFORMATION - continued

Geographical segments - continued

Balance sheet at 31 March 2003

	PRC	Other	Consolidated
	HK\$'000	regions	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Assets			
Segment assets	4,253,089	409,563	4,662,652
Interests in associates	9,914	-	9,914
Interests in jointly controlled entities	36,177	-	36,177
Unallocated corporate assets			77,731
Total assets			4,786,474
Liabilities			
Segment liabilities	1,896,698	233,849	2,130,547
Unallocated corporate liabilities			336,918
Total liabilities			2,467,465
Other information			
	PRC	Other	Consolidated
	HK\$'000	regions	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Addition to property, plant and equipment	170,752	6,419	177,171
Depreciation and amortisation	73,950	3,970	77,920
Impairment losses recognised			
in the income statement	2,754	-	2,754
Allowance for doubtful debts	4,330	652	4,982
Allowance for slow-moving inventories	12,729	2,022	14,751
Allowance for warranties	18,392	-	18,392

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

4. TURNOVER AND SEGMENT INFORMATION - continued Geographical segments - continued

Income statement for the year ended 31 March 2002

	PRC HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Revenue			
External sales	4,573,725	1,030,989	5,604,714
Result			
Segment result	20,914	63,182	84,096
Interest income			35,124
Unallocated corporate expenses			(36,889)
Profit from operations			82,331
Finance costs			(3,976)
Share of results of a jointly controlled entity	(1,389)	-	(1,389)
Profit before taxation			76,966
Taxation			(20,604)
Profit after taxation			56,362

Balance sheet at 31 March 2002

	PRC HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	2,929,572	1,000,951	3,930,523
Interests in associates	9,914	-	9,914
Interests in jointly controlled entities	40,667	-	40,667
Unallocated corporate assets			181,169
Total assets			4,162,273
Liabilities			
Segment liabilities	1,382,808	365,591	1,748,399
Unallocated corporate liabilities			257,548
Total liabilities			2,005,947
Other information			
	PRC HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Addition to property, plant and equipment	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
Allowance for doubtful debts	3,443	196	3,639
Written back on allowance for slow-moving inventories	(32,133)	12,504	(19,629)
Allowance for warranties	14,053	-	14,053

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

5. PROFIT FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	2,700	2,582
Underprovision for prior years	500	300
Depreciation and amortisation of property, plant and equipment	77,920	64,347
Amortisation of technical know-how included in general and administrative expenses	-	2,440
Loss on disposal of property, plant and equipment	2,290	429
Operating lease rentals in respect of land and buildings	34,968	40,075
Allowance for doubtful debts	4,982	3,639
Allowance for slow-moving inventories	14,751	-
Net realised loss on disposal of investments in securities	2,107	-
Allowance for warranties	18,392	14,053
Staff costs:		
Research and development	16,507	16,539
Directors' remuneration	30,097	8,013
Others	340,882	246,919
	387,486	271,471
and after crediting:		
Interest income	17,427	35,124
Net realised gains on disposal of investments in securities	-	3,530
Written back of allowance for slow-moving inventories	-	19,629
Gross rents from investment properties	3,859	-

6. FINANCE COSTS

	2003	2002
	HK\$'000	HK\$'000
Interest on bank borrowings		
- wholly repayable within five years	406	3,361
- not wholly repayable within five years	132	615
	538	3,976

Bank charges of HK\$ 4,744,000 and net foreign exchange losses of HK\$255,000 in prior year was reclassified from finance costs to include in general and administrative expenses to conform with the current year's presentation.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

7. INDEMNITY OF HONG KONG PROFITS TAX IN RESPECT OF PREVIOUS YEARS

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

However, 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 TV 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, Skyworth TV purchased Tax Reserve Certificates in the aggregate amount of HK\$63,310,000 (see note 20) and paid remaining balance of HK\$823,000 during the year ended 31 March 2002.

Notwithstanding the indemnity, the directors continue to contest vigorously the full amount of the Assessments. Based on the above Assessments, the calculated effect for the period from 1 November 1999 to 31 March 2001 would amount to approximately HK\$72,000,000.

Pursuant to the Deed of Indemnity entered into between Wong Wang Sang, Stephen, Target Success Group Limited, Liu Hui Yang, Henrique ("Mr. Liu"), Kuo Teng Yeuk, Ng Kam Fai, Wong Pui Sing, Tao Jun, Ding Kai (collectively hereinafter referred to as the "Indemnifiers") with the Company at the time of listing of the shares of the Company on the Stock Exchange, the Indemnifiers, inter alia, jointly and severally agreed to indemnify the Company and the Company's subsidiaries for any subsequent assessments of taxation made by HKIRD in respect of any profits generated in any period prior to 31 October 1999, together with all costs, interest, penalties, charges and expenses incidental or relating to the liability to the taxation, to the extent that provision has not been made in the audited financial statements for any period ended on or before 31 October 1999.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

7. INDEMNITY OF HONG KONG PROFITS TAX IN RESPECT OF PREVIOUS YEARS

- continued

Wong Wang Sang, Stephen is the Chairman of the Company and the former controlling shareholder of the subsidiaries acquired by the Company pursuant to the Group Reorganisation.

Target Success Group Limited is a trustee of Skysource Trust for the benefit of a discretionary trust the beneficiaries of which include certain other family members of Wong Wang Sang, Stephen.

Ng Kam Fai, Wong Pui Sing and Ding Kai are executive directors of the Company.

Mr. Liu, Kuo Teng Yeuk and Tao Jun are former executive directors of the Company.

During the year ended 31 March 2003, the directors conducted a review on the resources and costs required to continue to contest vigorously the Assessments and consider that there was no additional value to the shareholders of the Company. Accordingly, the directors instructed the tax advisers of Skyworth TV to enter into discussion with the HKIRD for the amicable settlement of this matter. Subsequent to 31 March 2003, Skyworth TV has negotiated with the HKIRD regarding the settlement of the claim and offered to settle an amount of HK\$64,248,000 for the Assessments. At the same time, the Company has negotiated with the Indemnifiers as to the settlement of the claim with due regard to the Deed of Indemnity.

Since the Indemnifiers are only responsible for indemnifying the Group for any taxation claim falling within any period up to 31 October 1999 pursuant to the Deed of Indemnity, the offer to settle the claim and all claims for tax based on the relevant income that may be made by the HKIRD for the year of assessment 2000/2001 were apportioned between the Indemnifiers and the Group so that the Group would be responsible for HK\$17,614,000 of the settlement sum and the Indemnifiers agreed to be responsible in aggregate for the remaining amount of HK\$46,634,000 (see note 20) of the settlement sum.

On 29 April 2003, HKIRD issued revised taxation assessments to Skyworth TV signifying acceptance of the offer. The settlement sum was satisfied and paid partly by applying part of the amount of Tax Reserve Certificates already purchased by Skyworth TV and partly by applying tax paid in previous years held to the credit of Skyworth TV held by the HKIRD for the Assessments. Accordingly, Skyworth TV need not make any further payment out of its funds. On this basis, provision for Hong Kong Profits Tax of HK\$64,248,000 in respect of previous years has been made in the current year's financial statements (see note 10).

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

8. DIRECTORS' REMUNERATION

	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	-
Non-executive directors	600	600
	600	600
Other emoluments:		
Basic salaries, allowances and benefits in kind	29,449	6,758
Retirement benefit scheme contributions	48	655
	29,497	7,413
	30,097	8,013

Other emoluments of the directors disclosed above include the emoluments paid to three independent non-executive directors in aggregate amount of HK\$600,000. The directors' remuneration were within the following bands:

	Number of directors	
	2003	2002
HK\$Nil to HK\$1,000,000	3	5
HK\$1,500,001 to HK\$2,000,000	-	1
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$3,000,001 to HK\$3,500,000	1	-
HK\$3,500,001 to HK\$4,000,000	1	-
HK\$4,000,001 to HK\$4,500,000	1	-
HK\$15,500,001 to HK\$16,000,000	1	-

Except for a director who waived his emoluments during the year ended 31 March 2002 amounting to HK\$8,131,000, no other directors have waived any emoluments during each of the two years ended 31 March 2003.

Notes to the Financial Statements^(continued)

For the year ended 31 March 2003

9. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included four (2002: two) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining one (2002: three) individuals is as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries, allowances and benefits in kind	3,400	7,072
Bonus	6,800	4,900
Retirement benefit scheme contributions	12	76
Compensation for loss of office	-	5,500
	10,212	17,548

The employees remuneration were within the following bands:

	Number of individuals	
	2003	2002
HK\$2,000,001 to HK\$2,500,000	-	1
HK\$7,000,001 to HK\$7,500,000	-	1
HK\$8,000,001 to HK\$8,500,000	-	1
HK\$10,000,001 to HK\$10,500,000	1	-

The employees' remuneration for the year ended 31 March 2002 included a former director, his emoluments are partially included in note 8 above, his total emoluments together with emoluments of another individual for the year ended 31 March 2002 were included above.

Save as disclosed in notes 8 and 9 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 2003.

10. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,886	8,034
Underprovision for previous years	62,279	-
	70,165	8,034
PRC income tax	18,253	11,270
Other PRC taxes	19,212	-
Deferred taxation (note 28)	(2,650)	1,300
	104,980	20,604

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profits for the year.

PRC income taxes is calculated at the rates prevailing in that areas which the Group operates.

Other PRC taxes are calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof, on the intra-group technical and other services related fees charged to a subsidiary of the Group registered in the PRC.

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

10. TAXATION - continued

Included in the underprovision for Hong Kong Profits Tax was an amount of HK\$64,248,000 in respect of the Assessments on Skyworth TV regarding the technical and other service related fees received from Skyworth-RGB in the previous years as detailed in note 7.

Details of deferred taxation are set out in note 28.

11. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim dividend, paid - HK\$0.005 (2002: HK\$0.05) per share	10,670	103,812
Final dividend:		
Proposed dividend of HK\$0.045 (2002: HK\$0.03) per share	96,274	62,573
Additional prior year's dividend paid on exercise of share options subsequent to the issue of the annual report	-	114
	96,274	62,687
	106,944	166,499

The final dividend of HK\$0.045 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

	2003 HK\$'000	2002 HK\$'000
The calculation of the basic and diluted earnings per share is based on the following data:		
Net profit for the purposes of basic earnings per share:		
Net profit for the year	213,580	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	(8,819)	(9,876)
Net profit for the purposes of diluted earnings per share	204,761	52,362
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,100,931,660	2,057,374,044
Effect of dilutive potential ordinary shares:		
Share options	57,145,640	31,761,199
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,158,077,300	2,089,135,243

Notes to the Financial Statements(continued)

For the year ended 31 March 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1 April 2002	197,364	70,228	298,777	45,819	612,188
Additions	9,518	83,333	67,852	16,468	177,171
Transfer	29,599	(29,599)	-	-	-
Transfer to investment properties	-	(123,962)	-	-	(123,962)
Disposal of a subsidiary	-	-	-	(18)	(18)
Disposals	-	-	(13,112)	(3,923)	(17,035)
At 31 March 2003	236,481	-	353,517	58,346	648,344
DEPRECIATION AND AMORTISATION					
At 1 April 2002	27,506	-	166,984	19,998	214,488
Provided for the year	6,820	-	62,044	9,056	77,920
Disposal of a subsidiary	-	-	-	(3)	(3)
Eliminated on disposals	-	-	(13,086)	(1,595)	(14,681)
At 31 March 2003	34,326	-	215,942	27,456	277,724
NET BOOK VALUES					
At 31 March 2003	202,155	-	137,575	30,890	370,620
At 31 March 2002	169,858	70,228	131,793	25,821	397,700

The net book value of the land and buildings comprises:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Land and buildings situated on:		
Land in Hong Kong held under		
- long leases	32,268	31,365
Land in the PRC held under		
- long leases	5,726	3,738
- medium-term leases	164,161	134,755
	202,155	169,858