

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 14. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
Transfer from construction in progress	123,962
Revaluation increase	993
At 31 March 2003	124,955

The investment properties are situated in the PRC and held under medium-term leases.

The investment properties were valued at 31 March 2003 by Chesterton Petty Limited, an independent firm of professional valuers, on an open market value existing use basis. These valuation gave rise to a revaluation increase of HK\$993,000 which has been credited to investment property revaluation reserve. The investment properties are leased out for rental purposes under operating leases.

## 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares	1,144,051	1,144,051
Amount due from a subsidiary	1,130,502	1,110,099
	2,274,553	2,254,150

Particulars of the Company's principal subsidiaries at 31 March 2003 are set out in note 39

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, and accordingly, the amount is shown as non-current.

## 16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments		
Share of net assets	9,914	9,914

As at 31 March 2003, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of registered capital held by the Group	Principal business
海南正商企業 在綫有限公司 (前稱海南創維網絡 系統有限公司)	Equity joint venture	PRC	35%	Research and development
東莞創維電子有限公司 Dongguan Skyworth Electronics Co., Ltd.	Equity joint venture	PRC	45%	Under dissolution

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments		
Share of net assets	14,856	19,639
Loan to a jointly controlled entity	21,321	21,028
	<b>36,177</b>	<b>40,667</b>

As at 31 March 2003, the Group had interest in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of registered capital held by the Group	Principal business
江蘇國安創維信息產業有限責任公司	Equity joint venture	PRC	45%	Development of internet technology and related products
深圳市創維群欣安防科技有限公司	Equity joint venture	PRC	50%	Inactive

The loan to a jointly controlled entity is unsecured, bearing interest at 5.85% per annum and in the opinion of the directors, the loan will not be repayable within the next twelve months from the balance sheet date and accordingly, the loan is shown as non-current.

## 18. INVESTMENTS IN SECURITIES

	Trading securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Listed equity securities in Hong Kong	10,304	-	-	-	10,304	-
Debt securities						
- listed	31,120	65,186	-	-	31,120	65,186
- unlisted	3,882	27,300	-	-	3,882	27,300
Unlisted equity securities in the PRC	-	-	22,981	9,670	22,981	9,670
Unlisted equity securities in overseas	12,165	79,013	-	-	12,165	79,013
	57,471	171,499	22,981	9,670	80,452	181,169
Impairment loss recognised in respect of unlisted equity securities in the PRC	-	-	(2,720)	-	(2,720)	-
	57,471	171,499	20,261	9,670	77,732	181,169
Market value of listed securities	41,424	65,186	-	-	41,424	65,186
Carrying amount analysed for reporting purposes						
Non-current	-	-	20,261	9,670	20,261	9,670
Current	57,471	171,499	-	-	57,471	171,499
	57,471	171,499	20,261	9,670	77,732	181,169

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 18. INVESTMENTS IN SECURITIES -continued

During the year, the directors conducted a review of the Group's investments in securities and determined that the recoverable amounts of certain investments in unlisted equity securities in the PRC were less than their carrying amounts. Accordingly, impairment loss of HK\$2,720,000 has been recognised in respect of the Group's other investments.

## 19. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	411,992	230,573
Work in progress	96,113	73,310
Finished goods	696,726	546,755
	<b>1,204,831</b>	<b>850,638</b>

Included above are raw materials of HK\$112,949,000 (2002: HK\$43,966,000) and finished goods of HK\$337,503,000 (2002: HK\$201,179,000) which are carried at net realisable value.

## 20. TRADE AND OTHER RECEIVABLES

Sales to wholesalers and retailers other than department stores in the PRC are generally made by payment on delivery or against bills issued by banks with maturity dates ranging 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 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.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	130,368	108,956
31 to 60 days	36,934	9,423
61 to 90 days	13,168	1,371
91 days or over	9,654	137
Trade receivables	190,124	119,887
Tax reserve certificates (note 7)	63,310	63,310
Amounts due from the Indemnifiers (note 7)	46,634	-
Deposits, prepayments and other receivables	364,879	265,671
	<b>664,947</b>	<b>448,868</b>

The amounts due from the Indemnifiers are unsecured, interest free and will be repayable on or before 29 July 2003. As at date of approval of financial statements on 22 July 2003, an amount of HK\$22,946,000 has been settled.

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 21. BILLS RECEIVABLE

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	117,123	320,321
31 to 60 days	309,654	230,006
61 to 90 days	411,728	132,851
91 days or over	283,667	99,594
Bills endorsed to suppliers	461,337	278,979
	<b>1,583,509</b>	<b>1,061,751</b>

## 22. PLEDGED DEPOSITS

### THE GROUP

The pledged deposits were 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. These charges were released during the year.

## 23. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	333,797	421,989
31 to 60 days	146,312	141,217
61 to 90 days	151,085	125,730
91 days or over	141,373	99,687
Trade payables under endorsed bills	461,337	278,979
Trade payables	<b>1,233,904</b>	<b>1,067,602</b>
Deposits in advance, accruals and other payables	867,416	608,984
	<b>2,101,320</b>	<b>1,676,586</b>

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 24. BILLS PAYABLE

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	16,339	13,819
31 to 60 days	-	1,267
61 to 90 days	868	-
91 days or over	-	44,707
	17,207	59,793

## 25. AMOUNT DUE TO AN ASSOCIATE

### THE GROUP

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

## 26. TAXATION

### THE GROUP

As at 31 March 2003, the Group had other PRC taxes payable of HK\$229,502,000 (2002: HK\$210,934,000) included in the balance of taxation. 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 received by Skyworth TV from Skyworth-RGB for the years 1995 to 2000. During the year, the Group has provisionally paid HK\$4,431,000 (2002: HK\$6,968,000) for the other PRC taxes for the previous years. 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.

## 27. SECURED BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Secured bank borrowings comprise the following:		
Mortgage loans	6,971	8,234
Import loans	-	4,994
	6,971	13,228
The bank borrowings are repayable as follows:		
Within one year or on demand	1,284	6,197
More than one year, but not exceeding two years	1,361	1,277
More than two years, but not exceeding five years	4,098	4,323
More than five years	228	1,431
	6,971	13,228
Less: Amounts due within one year or on demand included in current liabilities	(1,284)	(6,197)
Amount due after one year	5,687	7,031

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 28. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of the year	5,200	3,900
(Credit) charge for the year (note 10)	(2,650)	1,300
Balance at end of the year	2,550	5,200

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

	Provided		Unprovided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>THE GROUP</b>				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	2,550	5,200	-	-
Taxation losses	-	-	(38,862)	(44,306)
	2,550	5,200	(38,862)	(44,306)

The unprovided deferred tax charge for the year in respect of timing differences attributable to taxation losses amounted to HK\$ 5,444,000 (2002: HK\$9,349,000).

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.

Deferred taxation has not been provided on the revaluation increase arising on the revaluation of investment properties as the amount involved is insignificant.

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 2003

## 29. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.1 each:		
Authorised		
At 1 April 2001, 31 March 2002 and 31 March 2003	<b>10,000,000,000</b>	1,000,000
Issued and fully paid		
At 1 April 2001	<b>2,050,000,000</b>	205,000
Exercise of share options	<b>27,598,000</b>	2,760
At 31 March 2002	<b>2,077,598,000</b>	207,760
Exercise of share options	<b>61,238,000</b>	6,124
At 31 March 2003	<b>2,138,836,000</b>	213,884

Details of the exercise of share options during the two years ended 31 March 2003 are set out in note 30.

## 30. SHARE OPTIONS

- (a) Pursuant to the employment contract entered into between the Group and Mr. Liu, an executive director of the Group's principal subsidiaries, dated 3 November 2000, the Group granted an option at a consideration of HK\$1 to Mr. Liu to subscribe for 25% interest in the shares of the subsidiaries managed by Mr. Liu, provided that the shares of those subsidiaries would be successfully listed on the Stock Exchange.
- (b) In addition to the above, the Company adopted a share option scheme (the "Old Scheme"), pursuant to a resolution passed on 27 March 2000 for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, would expire on 27 March 2010. Under the Old Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries and associates, to subscribe for shares in the Company.

Options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK\$1 per option. Options may be exercised in 2, 3 or 4 equal portions. The first portion is exercisable at any time commencing on the first anniversary date from the date of grant of the share option, and each further portion becomes exercisable on the next anniversary date in each of the following years. All of the options, if not otherwise exercised, will lapse on 27 March 2010.

Prior to 1 September 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1 September 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

# Notes to the Financial Statements(continued)

For the year ended 31 March 2003

## 30. SHARE OPTIONS -continued

As the Old Scheme no longer complies with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the Old Scheme from 1 September 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Old Scheme will continue to be exercisable in accordance with the Old Scheme.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was replaced by a new share option scheme (the "New Scheme"), pursuant to a special resolution passed on 28 August 2002. Under the New Scheme, the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employee, whether full time or part time, of any member of the Group.

Options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK\$1 per option.

Each grant of an option to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors, excluding any independent non-executive director who is the grantee of the option.

Under the New Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the New Scheme.

At 31 March 2003, the number of shares in respect of which options had been granted under the share option scheme was 152,491,000 (2002: 160,329,000), including 102,091,000 (2002:160,329,000) for Old Scheme and 50,400,000 (2002:Nil) for New Scheme, representing 7.1% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the share option schemes is not permitted to exceed 10% of the shares of the Company in issue from time to time.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.



Notes to the Financial Statements(continued)  
For the year ended 31 March 2003

30.SHARE OPTIONS -continued

2003

The following table shows movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2003:

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2002	Granted during the year	Exercised during the year	Outstanding at 31 March 2003
25 November 2000	25 November 2001 to 27 March 2010	0.336	19,530,000	-	(17,338,000)	2,192,000
25 November 2000	25 November 2002 to 27 March 2010	0.336	47,642,000	-	(40,400,000)	7,242,000
25 November 2000	25 November 2003 to 27 March 2010	0.336	39,168,000	-	-	39,168,000
25 November 2000	25 November 2004 to 27 March 2010	0.336	34,189,000	-	-	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	-	(3,000,000)	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
5 June 2002	5 June 2003 to 27 March 2010	0.840	-	250,000	-	250,000
5 June 2002	5 June 2004 to 27 March 2010	0.840	-	250,000	-	250,000
5 June 2002	5 June 2005 to 27 March 2010	0.840	-	250,000	-	250,000
5 June 2002	5 June 2006 to 27 March 2010	0.840	-	250,000	-	250,000
8 August 2002	8 August 2003 to 27 March 2010	0.750	-	500,000	-	500,000
8 August 2002	8 August 2004 to 27 March 2010	0.750	-	500,000	-	500,000
8 August 2002	8 August 2005 to 27 March 2010	0.750	-	500,000	-	500,000
8 August 2002	8 August 2006 to 27 March 2010	0.750	-	500,000	-	500,000
			160,329,000	3,000,000	(61,238,000)	102,091,000

\*The average closing prices of the Company's shares immediate before the dates of which the share options exercised during the year ended 31 March 2003 range from HK\$0.53 to HK\$0.94.