

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 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 an investment holding company. Details of the principal activities of the principal subsidiaries, associates and jointly controlled entities are set out in note 43, 17 and 18 respectively.

### 2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The retrospective adoption of SSAP 12 (Revised) has not resulted in any significant effect on the financial statements in prior periods, and accordingly, no prior period adjustment has been made.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and 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.

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.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

#### **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 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.

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.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against 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 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.

Negative goodwill arising on acquisition of a subsidiary after 1 April 2001 is presented separately in the balance sheet as a 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 the acquisition of an associate or a jointly controlled entity after 1 April 2001 is deducted from the carrying amount of that 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 as income immediately.

**3. SIGNIFICANT ACCOUNTING POLICIES – Continued****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.

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight-line basis over the terms of relevant leases.

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 less impairment losses. 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.

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 terms of the leases
Buildings	Over the shorter of the terms of the leases or 50 years
Other plant and equipment	3 to 5 years

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.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 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.

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

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

#### **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.

**3. SIGNIFICANT ACCOUNTING POLICIES – Continued****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.

**Interests 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.

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. The Group's share of post-acquisition results of its associates are included in the consolidated income statement.

**Interests 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.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

#### **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 equity, 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.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES – Continued****Foreign currencies**

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

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

**Taxation**

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

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

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

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

#### **Taxation** – *Continued*

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

#### **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.

### 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate value of goods sold after goods returns and trade discounts and value added tax, and rental income from leasing of investment properties for the year, and is analysed as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of goods	<b>9,180,833</b>	8,002,313
Property rental income	<b>29,830</b>	–
	<b>9,210,663</b>	8,002,313

#### **Business segments**

The Group is principally engaged in the design, manufacture and sales of colour televisions and audio visual products and property investment. The management considers that the profit from operations of the Group is mainly contributed by the design, manufacture and sales of colour televisions and audio visual products and accordingly, no business segment analysis is presented.



## Notes to the Financial Statements *For the year ended 31 March 2004*

### 4. TURNOVER AND SEGMENT INFORMATION – *Continued*

#### 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:

*Income statement for the year ended 31 March 2004*

	<b>PRC</b> <b>HK\$'000</b>	<b>Other regions</b> <b>HK\$'000</b>	<b>Consolidated</b> <b>HK\$'000</b>
Revenue			
External sales and rental income	<b>7,734,083</b>	<b>1,476,580</b>	<b>9,210,663</b>
Result			
Segment results	<b>361,145</b>	<b>47,374</b>	<b>408,519</b>
Interest income			<b>8,611</b>
Unallocated corporate expenses			<b>(5,731)</b>
Profit from operations			<b>411,399</b>
Finance costs			<b>(1,006)</b>
Share of results of jointly controlled entities	<b>(11,305)</b>	–	<b>(11,305)</b>
Profit before taxation			<b>399,088</b>
Taxation			<b>(47,513)</b>
Profit after taxation			<b>351,575</b>

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 4. TURNOVER AND SEGMENT INFORMATION – *Continued*

#### Geographical segments – *Continued*

*Balance sheet at 31 March 2004*

	<b>PRC</b> <b>HK\$'000</b>	<b>Other</b> <b>regions</b> <b>HK\$'000</b>	<b>Consolidated</b> <b>HK\$'000</b>
<b>Assets</b>			
Segment assets	4,929,871	457,566	5,387,437
Interests in associates	9,914	–	9,914
Interests in jointly controlled entities	34,792	–	34,792
Unallocated corporate assets			92,319
			<hr/>
Total assets			5,524,462
<b>Liabilities</b>			
Segment liabilities	2,439,331	210,742	2,650,073
Unallocated corporate liabilities			294,811
			<hr/>
			2,944,884

*Other information*

	<b>PRC</b> <b>HK\$'000</b>	<b>Other</b> <b>regions</b> <b>HK\$'000</b>	<b>Consolidated</b> <b>HK\$'000</b>
Addition to property, plant and equipment	249,668	368	250,036
Depreciation and amortisation of property, plant and equipment	93,619	340	93,959
Allowance for doubtful debts	14,349	–	14,349
Allowance for loan to a jointly controlled entity	3,000	–	3,000
Impairment loss recognised in respect of other investments	1,519	–	1,591
(Reversal of) allowance for slow-moving inventories	(13,412)	3,079	(10,333)

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 4. TURNOVER AND SEGMENT INFORMATION – *Continued*

#### Geographical segments – *Continued*

*Income statement for the year ended 31 March 2003*

	PRC HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Revenue			
External sales	6,333,900	1,668,413	8,002,313
Result			
Segment results	269,138	34,510	303,648
Interest income			17,427
Unallocated corporate expenses			(36,132)
Profit from operations			284,943
Finance costs			(538)
Indemnity of Hong Kong Profits Tax in respect of previous years			46,634
Gain on disposal of a subsidiary			367
Share of results of associates	(333)	–	(333)
Share of results of jointly controlled entities	(7,588)	–	(7,588)
Profit before taxation			323,485
Taxation			(104,980)
Profit after taxation			218,505

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 4. TURNOVER AND SEGMENT INFORMATION – *Continued*

#### Geographical segments – *Continued*

*Balance sheet at 31 March 2003*

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>			
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
			<hr/>
Total assets			4,786,474
<b>Liabilities</b>			
Segment liabilities	1,896,698	233,849	2,130,547
Unallocated corporate liabilities			336,918
			<hr/>
			2,467,465

#### *Other information*

	PRC <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Addition to property, plant and equipment	170,752	6,419	177,171
Depreciation and amortisation of property, plant and equipment	73,950	3,970	77,920
Impairment losses recognised in respect of other investments	2,720	–	2,720
Impairment loss recognised in respect of goodwill attributable to a subsidiary	34	–	34
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 *For the year ended 31 March 2004*

### 5. OTHER OPERATING INCOME

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Other operating income comprises:		
Dividend income	<b>3,814</b>	–
Gross rentals from investments properties	–	3,859
Interest income	<b>8,611</b>	17,427
Unrealised gain on investments in securities	<b>13,660</b>	–
Net realised gain on disposal of investments in securities	<b>1,794</b>	–
Others	<b>10,031</b>	8,218
	<b>37,910</b>	29,504

### 6. PROFIT FROM OPERATIONS

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration:		
Current year	<b>2,800</b>	2,700
Underprovision for prior years	–	500
Depreciation and amortisation of property, plant and equipment	<b>93,959</b>	77,920
Loss on disposal of property, plant and equipment	<b>4,949</b>	2,290
Operating lease rentals in respect of land and buildings	<b>40,334</b>	34,968
Allowance for doubtful debts	<b>14,349</b>	4,982
(Reversal of) allowance for slow-moving inventories	<b>(10,333)</b>	14,751
Net realised loss on disposal of investments in securities	–	2,107
Allowance for warranties	–	18,392
Staff costs excluding director's remuneration:		
Research and development	<b>17,414</b>	16,507
Others	<b>382,879</b>	340,882
	<b>400,293</b>	357,389

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 7. FINANCE COSTS

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Interest on bank borrowings		
– wholly repayable within five years	<b>1,006</b>	406
– not wholly repayable within five years	–	132
	<b>1,006</b>	538

### 8. INDEMNITY OF HONG KONG PROFITS TAX IN RESPECT OF PREVIOUS YEARS

As explained in last year's annual report, on 29 April 2003, Hong Kong Inland Revenue Department issued revised taxation assessments to Skyworth TV Holdings Limited, a subsidiary of the Company, of HK\$64,248,000 in respect of previous years' technical and other service related fees received from Shenzhen Chuangwei-RGB Electronics Co., Limited. The underprovision of such tax amount had been provided in the tax expenses for the year ended 31 March 2003. The Group was responsible for HK\$17,614,000 of the settlement sum and the responsible indemnifiers had also agreed with the Group to pay an amount of HK\$46,634,000 to satisfy their obligations contained in the Deed of Indemnity entered into between the Company and themselves at the time of listing of the Company's shares.

### 9. DIRECTORS' REMUNERATION

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	<b>433</b>	600
	<b>433</b>	600
Other emoluments:		
Basic salaries, allowances and benefits in kind including deemed benefit arising from exercise of share options	<b>44,424</b>	29,449
Retirement benefit scheme contributions	<b>37</b>	48
	<b>44,461</b>	29,497
	<b>44,894</b>	30,097

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 9. DIRECTORS' REMUNERATION – *Continued*

The number of Directors whose remuneration/fees within the bands set out below in as follows:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	4	3
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$8,000,001 to HK\$8,500,000	1	–
HK\$15,500,001 to HK\$16,000,000	–	1
HK\$29,500,001 to HK\$30,000,000	1	–

No director waived any emoluments during each of the two years ended 31 March 2004.

Remuneration breakdown of each of the current executive Directors for the year ended 31 March 2004 are set out below:

	Directors' fees	Basic salaries, allowances and benefits in kind (Note)	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wong Wang Sang, Stephen	–	29,959	12	29,971
Ng Kam Fai	–	8,248	12	8,260
Wong Pui Sing	–	3,086	12	3,098
Ding Kai	–	2,812	–	2,812
	–	44,105	36	44,141

*Note:* The amounts include deemed benefit arising from exercise of share option.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 9. DIRECTORS' REMUNERATION – *Continued*

Remuneration breakdown of Kuo Teng Yeuk, who resigned as a Director on 22 April 2003, for the year ended 31 March 2004 were as follows:

	<b>Directors' fees</b>	<b>Basic salaries, allowances and benefits in kind</b>	<b>Retirement benefits scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Kuo Teng Yeuk	–	319	1	320

### 10. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included three (2003: four) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining two (2003: one) individuals are as follows:

	<b>2004</b>	2003
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Basic salaries, allowances and benefits in kind including deemed benefit arising from exercise of share option	<b>16,629</b>	3,400
Bonus	<b>822</b>	6,800
Retirement benefit scheme contributions	<b>12</b>	12
	<b>17,463</b>	10,212

The employees remuneration were within the following bands:

	<b>Number of individuals</b>	
	<b>2004</b>	2003
HK\$5,500,001 to HK\$6,000,000	<b>1</b>	–
HK\$10,000,001 to HK\$10,500,000	–	1
HK\$11,000,001 to HK\$11,500,000	<b>1</b>	–

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 2004.



## Notes to the Financial Statements *For the year ended 31 March 2004*

### 11. TAXATION

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	<b>5,406</b>	7,886
(Over)underprovision for previous years	<b>(3,575)</b>	62,279
	<b>1,831</b>	70,165
PRC income tax	<b>37,362</b>	18,253
Other PRC taxes	<b>8,408</b>	19,212
	<b>47,601</b>	107,630
Deferred taxation ( <i>note 29</i> )		
Current year	<b>(327)</b>	(2,650)
Attributable to a change in tax rate in Hong Kong	<b>239</b>	–
	<b>(88)</b>	(2,650)
	<b>47,513</b>	104,980

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year.

PRC income tax is calculated at the rate 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 Company registered in the PRC.

Included in the underprovision for Hong Kong Profits Tax for the year ended 31 March 2003 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 8.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 11. TAXATION – *Continued*

The charge for the year can be reconciled to the profit before taxation as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Profit before taxation	<b>399,088</b>	323,485
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	<b>69,840</b>	51,758
Tax effect of expenses not deductible for tax purpose	<b>25,515</b>	21,589
Tax effect of income not taxable for tax purpose	<b>(3,568)</b>	(10,062)
(Over)under provision in respect of prior years	<b>(3,611)</b>	62,279
Tax effect of tax losses not recognised	<b>19,312</b>	5,577
Utilisation of tax losses previously not recognised	<b>(1,509)</b>	(38)
Increase in the opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	<b>239</b>	–
Effect of tax exemptions granted by the PRC Tax Authority	<b>(55,578)</b>	(24,873)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(11,041)</b>	(5,971)
Others	<b>7,914</b>	4,721
Tax charge for the year	<b>47,513</b>	104,980

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 12. DIVIDENDS

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Interim dividend – HK\$0.02 (2003: HK\$0.005) per share		
Cash payment	<b>14,671</b>	10,670
Share alternative	<b>29,216</b>	–
	<b>43,887</b>	10,670
Final dividend:		
Proposed dividend of HK\$0.055 (2003: HK\$0.045) per share	<b>122,015</b>	96,274
Additional prior year's dividend paid on exercise of options subsequent to the issue of the annual report	–	338
	<b>122,015</b>	96,612
	<b>165,902</b>	107,282

On 22 December 2003, an interim dividend of HK\$0.02 per share was declared with an option to the shareholders to elect to receive such dividend in the form of new shares (the "New Shares") in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend"). The allotment of New Shares was credited as fully paid at a price of HK\$1.8088 per New Share and having an aggregate discounted market value equal to the total amount of the interim dividend which the shareholders would otherwise receive in cash. On 19 February 2004, 16,152,170 New Shares were issued in respect of such Scrip Dividend with total value of HK\$29,216,000.

The Board of Directors declares a final dividend for the year ended 31 March 2004 of HK\$0.055 per share (2003: HK\$0.045), totalling approximately HK\$122,015,000 (2003: HK\$96,612,000) to shareholders whose names appear on the register of members of the Company at the close of business on 31 August 2004. Such final dividend is satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid and that shareholders may elect to receive cash wholly or partly in lieu of the scrip dividend. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 13. EARNINGS PER SHARE

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
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	<b>341,908</b>	213,580
Effect of dilutive potential ordinary shares:		
Adjustment to the earnings of subsidiaries in respect of the effect of their dilutive potential ordinary shares	-	(8,819)
Net profit for the purposes of diluted earnings per share	<b>341,908</b>	204,761
Weighted average number of ordinary shares for the purpose of basic earnings per share		
	<b>2,163,704,263</b>	2,100,931,660
Effect of dilutive potential ordinary shares:		
Share options	<b>92,371,324</b>	57,145,640
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,256,075,587</b>	2,158,077,300

Notes to the Financial Statements *For the year ended 31 March 2004***14. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings</b>	<b>Construction in progress</b>	<b>Plant and machinery</b>	<b>Furniture, equipment and motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>					
COST					
At 1 April 2003	236,481	–	353,517	58,346	648,344
Additions	29,298	96,105	104,056	20,577	250,036
Disposals	(4,245)	–	(3,271)	(3,999)	(11,515)
<b>At 31 March 2004</b>	<b>261,534</b>	<b>96,105</b>	<b>454,302</b>	<b>74,924</b>	<b>886,865</b>
DEPRECIATION AND AMORTISATION					
At 1 April 2003	34,326	–	215,942	27,456	277,724
Provided for the year	9,151	–	72,615	12,193	93,959
Eliminated on disposals	(886)	–	(2,253)	(3,135)	(6,274)
At 31 March 2004	42,591	–	286,304	36,514	365,409
NET BOOK VALUES					
<b>At 31 March 2004</b>	<b>218,943</b>	<b>96,105</b>	<b>167,998</b>	<b>38,410</b>	<b>521,456</b>
At 31 March 2003	202,155	–	137,575	30,890	370,620

The net book value of the land and buildings comprises:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Land and buildings situated on:		
Land in Hong Kong held under		
– long leases	<b>31,893</b>	32,268
Land in the PRC held under		
– long leases	<b>4,347</b>	5,726
– medium-term leases	<b>182,703</b>	164,161
	<b>218,943</b>	202,155

The construction in progress represents a research and development complex and a factory plant under construction situated on land in the PRC held under medium-term leases, and the applicable for the land use right, which will be used to develop the research and development complex with a carrying amount of HK\$36,989,000, is still in progress at the balance sheet.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 15. INVESTMENT PROPERTIES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At beginning of the year	<b>124,955</b>	–
Transfer from construction in progress	–	123,962
Revaluation increase	<b>2,770</b>	993
At end of the year	<b>127,725</b>	124,955

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

The investment properties were revalued at 31 March 2004 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\$2,770,000 (2003: HK\$993,000) which has been credited to investment property revaluation reserve. The investment properties are leased out for rental purposes under operating leases.

### 16. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares	<b>1,144,051</b>	1,144,051
Amounts due from subsidiaries	<b>1,188,658</b>	1,130,502
	<b>2,332,709</b>	2,274,553

Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 43.

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

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 17. INTERESTS IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted investments		
Share of net assets	<b>9,914</b>	9,914

As at 31 March 2004, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration 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	Equity joint venture	PRC	35%	Research and development
東莞創維電子有限公司	Equity joint venture	PRC	45%	Under dissolution

### 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted investments		
Share of net assets	<b>3,551</b>	14,856
Loan to a jointly controlled entity	<b>21,260</b>	21,321
Amount due from a jointly controlled entity	<b>12,981</b>	–
	<b>37,792</b>	36,177
Allowance for loan to a jointly controlled entity	<b>(3,000)</b>	–
	<b>34,792</b>	36,177

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES – *Continued*

The loan to a jointly controlled entity is unsecured, bearing interest at 4.779% (2003: 5.85%) per annum and has no fixed term of repayment. The amount due from a jointly controlled entity is unsecured, interest free and should be repaid by April 2006.

In the opinion of directors, these amounts will not be repayable within the next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.

As at 31 March 2004, the Group had interests in the following jointly controlled entities:

<b>Name of entity</b>	<b>Form of business structure</b>	<b>Place of registration and operation</b>	<b>Proportion of nominal value of registered capital held by the Group</b>	<b>Principal business</b>
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%	Manufacture and sales of monitor system



Notes to the Financial Statements *For the year ended 31 March 2004***19. INVESTMENTS IN SECURITIES**

	Trading securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>						
Listed equity securities in Hong Kong	<b>14,850</b>	10,304	–	–	<b>14,850</b>	10,304
Debt securities						
– listed	<b>25,997</b>	31,120	–	–	<b>25,997</b>	31,120
– unlisted	–	3,882	–	–	–	3,882
Unlisted equity securities in overseas	<b>31,333</b>	12,165	–	–	<b>31,333</b>	12,165
Unlisted equity securities in the PRC	–	–	<b>21,730</b>	22,981	<b>21,730</b>	22,981
	<b>72,180</b>	57,471	<b>21,730</b>	22,981	<b>93,910</b>	80,452
Impairment loss recognised in respect of unlisted equity securities in the PRC	–	–	<b>(1,591)</b>	(2,720)	<b>(1,591)</b>	(2,720)
	<b>72,180</b>	57,471	<b>20,139</b>	20,261	<b>92,319</b>	77,732
Market value of listed securities	<b>40,847</b>	41,424	–	–	<b>40,847</b>	41,424
Carrying amount analysed for reporting purposes						
Non-current	–	–	<b>20,139</b>	20,261	<b>20,139</b>	20,261
Current	<b>72,180</b>	57,471	–	–	<b>72,180</b>	57,471
	<b>72,180</b>	57,471	<b>20,139</b>	20,261	<b>92,319</b>	77,732

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\$1,591,000 (2003: HK\$2,720,000) has been recognised in respect of the Group's other investments.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 20. INVENTORIES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Raw materials	<b>333,707</b>	411,992
Work in progress	<b>119,730</b>	96,113
Finished goods	<b>882,422</b>	696,726
	<b>1,335,859</b>	1,204,831

Included above are raw materials of HK\$70,319,000 (2003: HK\$112,949,000), work in progress of HK\$3,931,000 (2003: nil) and finished goods of HK\$174,595,000 (2003: HK\$337,503,000) which are carried at net realisable value.

### 21. 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 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:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 30 days	<b>177,658</b>	130,368
31 to 60 days	<b>48,290</b>	36,934
61 to 90 days	<b>9,781</b>	13,168
91 days or over	<b>11,688</b>	9,654
Trade receivables	<b>247,417</b>	190,124
Tax reserve certificates	–	63,310
Amounts due from the Indemnifiers ( <i>note 8</i> )	–	46,634
Deposits, prepayments and other receivables	<b>336,475</b>	364,879
	<b>583,892</b>	664,947

The amounts due from the Indemnifiers were unsecured, interest free and repaid during the year.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 22. BILLS RECEIVABLE

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

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 30 days	<b>374,756</b>	117,123
31 to 60 days	<b>135,965</b>	309,654
61 to 90 days	<b>579,028</b>	411,728
91 days or over	<b>671,154</b>	283,667
Bills endorsed to suppliers	<b>605,729</b>	461,337
	<b>2,366,632</b>	1,583,509

### 23. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

#### THE GROUP

The amount is unsecured, interest free and has no fixed term of repayment.

### 24. TRADE AND OTHER PAYABLES

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

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 30 days	<b>282,638</b>	333,797
31 to 60 days	<b>212,205</b>	146,312
61 to 90 days	<b>132,192</b>	151,085
91 days or over	<b>120,769</b>	141,373
Trade payables under endorsed bills	<b>605,729</b>	461,337
Trade payables	<b>1,353,533</b>	1,233,904
Deposits in advance, accruals and other payables	<b>1,112,066</b>	867,416
	<b>2,465,599</b>	2,101,320

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 25. **BILLS PAYABLE**

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

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within 30 days	<b>35,789</b>	16,339
31 to 60 days	<b>7,201</b>	–
61 to 90 days	<b>84,184</b>	868
91 days or over	<b>43,168</b>	–
	<b>170,342</b>	17,207

### 26. **AMOUNT DUE TO AN ASSOCIATE/A JOINTLY CONTROLLED ENTITY**

#### **THE GROUP**

The amounts are unsecured, interest free and have no fixed term of repayment.

### 27. **TAXATION**

#### **THE GROUP**

As at 31 March 2004, the Group had other PRC taxes payable of HK\$206,503,000 (2003: HK\$206,503,000) in respect of the technical and service related fees received by Skyworth TV from Skyworth-RGB for the years 1995 to 2000 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 these technical and service related fees. During the year ended 31 March 2003, the Group had provisionally paid HK\$4,431,000 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.

Notes to the Financial Statements *For the year ended 31 March 2004***28. SECURED BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Secured bank borrowings comprise the following:		
Mortgage loans	<b>5,668</b>	6,971
Short-term bank loan	<b>1,215</b>	–
	<b>6,883</b>	6,971
The bank borrowings are repayable as follows:		
Within one year or on demand	<b>2,610</b>	1,284
More than one year, but not exceeding two years	<b>1,452</b>	1,361
More than two years, but not exceeding five years	<b>2,821</b>	4,098
More than five years	–	228
	<b>6,883</b>	6,971
Less: Amounts due within one year or on demand included in current liabilities	<b>(2,610)</b>	(1,284)
Amount due after one year	<b>4,273</b>	5,687

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 29. DEFERRED TAXATION

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

	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE GROUP</b>				
At 1 April 2002	–	5,200	–	5,200
Credit to income statement for the year	–	(2,650)	–	(2,650)
At 31 March 2003	–	2,550	–	2,550
Charge to equity	564	–	–	564
Charge (credit) to income statement for the year	–	249	(576)	(327)
Effect of change in tax rate charge to the income statement	–	239	–	239
<b>At 31 March 2004</b>	<b>564</b>	<b>3,038</b>	<b>(576)</b>	<b>3,026</b>

At the balance sheet date, the Group has unutilised tax losses of HK\$278,945,000 (2003: HK\$187,834,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilized tax losses due to the unpredictability of future profit streams.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 30. SHARE CAPITAL

	<b>Number of shares</b>	<b>Value</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:		
<b>Authorised</b>		
At 1 April 2002, 31 March 2003 and 31 March 2004	10,000,000,000	1,000,000
<b>Issued and fully paid</b>		
At 1 April 2002	2,077,598,000	207,760
Exercise of share options	61,238,000	6,124
At 31 March 2003	2,138,836,000	213,884
Exercise of share options	60,220,000	6,022
Share issuance in respect of Scrip Dividend	16,152,170	1,615
<b>At 31 March 2004</b>	<b>2,215,208,170</b>	<b>221,521</b>

Details of the exercise of share options during the two years ended 31 March 2004 are set out in note 31.

Details of the arrangement of Scrip Dividend are set out in note 12.

**31. SHARE OPTIONS**

- (a) Pursuant to the employment contract entered into between the Group and Mr. Liu, an executive director of the Group's certain 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 grant. Options may be exercised in 2, 3 or 4 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.

As the Old Scheme no longer complies with the amended rules in the Listing Rules governing share option 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.



**31. SHARE OPTIONS** – *Continued*

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

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.

The total number of shares available for issue under the share option scheme is approximately 49,000,000, representing approximately 2.2% of the issued share capital of the Company as at the date of this report.

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 *For the year ended 31 March 2004*

### 31. SHARE OPTIONS – *Continued*

#### 2004

The following table shows movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2004:

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2003	Reclassified during the year <i>(note b)</i>	Exercised during the year <i>(note c)</i>	Cancelled during the year	Outstanding at 31 March 2004
25 November 2000	25 November 2001 to 27 March 2010	0.336	2,192,000	–	(1,528,000)	(180,000)	<b>484,000</b>
	25 November 2002 to 27 March 2010	0.336	7,242,000	132,000	(5,898,000)	(828,000)	<b>648,000</b>
	25 November 2003 to 27 March 2010	0.336	39,168,000	(66,000)	(34,062,000)	(4,350,000)	<b>690,000</b>
	25 November 2004 to 27 March 2010	0.336	34,189,000	(66,000)	–	(4,438,000)	<b>29,685,000</b>
2 April 2001	2 April 2003 to 27 March 2010	0.292	500,000	–	(500,000)	–	–
	2 April 2004 to 27 March 2010	0.292	500,000	–	–	–	<b>500,000</b>
	2 April 2005 to 27 March 2010	0.292	500,000	–	–	–	<b>500,000</b>
23 January 2002	23 January 2003 to 27 March 2010	0.420	750,000	–	(750,000)	–	–
	23 January 2004 to 27 March 2010	0.420	3,750,000	–	(3,750,000)	–	–
	23 January 2005 to 27 March 2010	0.420	3,750,000	–	–	–	<b>3,750,000</b>
	23 January 2006 to 27 March 2010	0.420	3,750,000	–	–	–	<b>3,750,000</b>
25 March 2002	25 March 2003 to 27 March 2010	0.520	966,000	–	(966,000)	–	–
	25 March 2004 to 27 March 2010	0.520	966,000	–	–	–	<b>966,000</b>
	25 March 2005 to 27 March 2010	0.520	868,000	–	–	–	<b>868,000</b>
5 June 2002	5 June 2003 to 27 March 2010	0.840	250,000	–	–	(250,000)	–
	5 June 2004 to 27 March 2010	0.840	250,000	–	–	(250,000)	–
	5 June 2005 to 27 March 2010	0.840	250,000	–	–	(250,000)	–
	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 2004 to 27 March 2010	0.750	500,000	–	–	–	<b>500,000</b>
	8 August 2005 to 27 March 2010	0.750	500,000	–	–	–	<b>500,000</b>
	8 August 2006 to 27 March 2010	0.750	500,000	–	–	–	<b>500,000</b>
			<b>102,091,000</b>	–	<b>(47,954,000)</b>	<b>(10,796,000)</b>	<b>43,341,000</b>

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 31. SHARE OPTIONS – *Continued*

*Notes:*

- (a) No share option was granted under the Old Scheme during the year.
- (b) During the year, the exercisable period of certain share options granted had been changed.
- (c) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2004 was HK\$1.77.

During the year ended 31 March 2003, the Old Scheme of the Company was replaced by the New Scheme pursuant to a special resolution passed on 28 August 2002. The following table shows the movements in the Company's share options granted under the New Scheme during the year ended 31 March 2004:

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2003 (note d)	Granted during the year (note e)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2004
5 October 2002	5 October 2003 to 27 March 2010	0.840	12,000,000	–	(11,900,000)	(100,000)	–
	5 October 2004 to 27 March 2010	0.840	12,000,000	–	–	(100,000)	<b>11,900,000</b>
	5 October 2005 to 27 March 2010	0.840	12,000,000	–	–	(100,000)	<b>11,900,000</b>
	5 October 2006 to 27 March 2010	0.840	12,000,000	–	–	(100,000)	<b>11,900,000</b>
14 February 2003	14 February 2004 to 27 March 2010	0.874	366,000	–	(366,000)	–	–
	14 February 2005 to 27 March 2010	0.874	366,000	–	–	–	<b>366,000</b>
	14 February 2006 to 27 March 2010	0.874	368,000	–	–	–	<b>368,000</b>
18 March 2003	18 March 2004 to 27 March 2010	0.800	250,000	–	–	–	<b>250,000</b>
	18 March 2005 to 27 March 2010	0.800	250,000	–	–	–	<b>250,000</b>
	18 March 2006 to 27 March 2010	0.800	250,000	–	–	–	<b>250,000</b>
	18 March 2007 to 27 March 2010	0.800	250,000	–	–	–	<b>250,000</b>

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 31. SHARE OPTIONS – *Continued*

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2003 <i>(note d)</i>	Granted during the year <i>(note e)</i>	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2004
28 March 2003	28 March 2004 to 27 March 2010	0.776	76,000	–	–	–	<b>76,000</b>
	28 March 2005 to 27 March 2010	0.776	76,000	–	–	–	<b>76,000</b>
	28 March 2006 to 27 March 2010	0.776	76,000	–	–	–	<b>76,000</b>
	28 March 2007 to 27 March 2010	0.776	72,000	–	–	–	<b>72,000</b>
9 June 2003	9 June 2004 to 27 March 2010	0.752	–	500,000	–	–	<b>500,000</b>
	9 June 2005 to 27 March 2010	0.752	–	500,000	–	–	<b>500,000</b>
	9 June 2006 to 27 March 2010	0.752	–	500,000	–	–	<b>500,000</b>
	9 June 2007 to 27 March 2010	0.752	–	500,000	–	–	<b>500,000</b>
27 June 2003	27 June 2004 to 27 March 2010	0.742	–	250,000	–	–	<b>250,000</b>
	27 June 2005 to 27 March 2010	0.742	–	250,000	–	–	<b>250,000</b>
	27 June 2006 to 27 March 2010	0.742	–	250,000	–	–	<b>250,000</b>
	27 June 2007 to 27 March 2010	0.742	–	250,000	–	–	<b>250,000</b>
16 October 2003	16 October 2004 to 27 March 2010	1.660	–	32,350,000	–	(20,000)	<b>32,330,000</b>
	16 October 2005 to 27 March 2010	1.660	–	32,350,000	–	(20,000)	<b>32,330,000</b>
	16 October 2006 to 27 March 2010	1.660	–	35,450,000	–	(20,000)	<b>35,430,000</b>
	16 October 2007 to 27 March 2010	1.660	–	42,050,000	–	(20,000)	<b>42,030,000</b>
	16 October 2008 to 27 March 2010	1.660	–	11,000,000	–	–	<b>11,000,000</b>

Notes to the Financial Statements *For the year ended 31 March 2004***31. SHARE OPTIONS** – *Continued*

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price HK\$</b>	<b>Outstanding at 1 April 2003 (note d)</b>	<b>Granted during the year (note e)</b>	<b>Exercised during the year</b>	<b>Cancelled during the year</b>	<b>Outstanding at 31 March 2004</b>
26 February 2004	26 February 2005 to 27 March 2010	2.575	–	2,600,000	–	–	<b>2,600,000</b>
	26 February 2006 to 27 March 2010	2.575	–	2,600,000	–	–	<b>2,600,000</b>
	26 February 2007 to 27 March 2010	2.575	–	2,600,000	–	–	<b>2,600,000</b>
	26 February 2008 to 27 March 2010	2.575	–	2,600,000	–	–	<b>2,600,000</b>
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
			50,400,000	166,600,000	(12,266,000)	(480,000)	<b>204,254,000</b>

*Notes:*

- (d) During the year ended 31 March 2004, 166,600,000 share options were granted to eligible persons as defined in the New Scheme. The closing share prices of the Company on 6 June 2003, 26 June 2003, 15 October 2003 and 25 February 2004, the trading days preceding the date of grant of the share options were HK\$0.75, HK\$0.74, HK\$1.64 and HK\$2.475 respectively.
- (e) The weighted average closing prices of the Company's shares immediately before the dates of which the share options were exercised during the year ended 31 March 2004 was HK\$2.05.

Other than the options stated above, no options had been granted by the Company to the other participants pursuant to the New Scheme.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 31. SHARE OPTIONS – *Continued*

#### 2003

The following table shows the 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 <i>(note f)</i>	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 2002 to 27 March 2010	0.336	47,642,000	–	(40,400,000)	7,242,000
	25 November 2003 to 27 March 2010	0.336	39,168,000	–	–	39,168,000
	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 2003 to 27 March 2010	0.292	500,000	–	–	500,000
	2 April 2004 to 27 March 2010	0.292	500,000	–	–	500,000
	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 2004 to 27 March 2010	0.420	3,750,000	–	–	3,750,000
	23 January 2005 to 27 March 2010	0.420	3,750,000	–	–	3,750,000
	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 2004 to 27 March 2010	0.520	966,000	–	–	966,000
	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 2004 to 27 March 2010	0.840	–	250,000	–	250,000
	5 June 2005 to 27 March 2010	0.840	–	250,000	–	250,000
	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 2004 to 27 March 2010	0.750	–	500,000	–	500,000
	8 August 2005 to 27 March 2010	0.750	–	500,000	–	500,000
	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

*Note:*

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

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 31. SHARE OPTIONS – *Continued*

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

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price HK\$</b>	<b>Granted during the year</b>	<b>Outstanding at 31 March 2003</b>
5 October 2002	5 October 2003 to 27 March 2010	0.840	12,000,000	12,000,000
	5 October 2004 to 27 March 2010	0.840	12,000,000	12,000,000
	5 October 2005 to 27 March 2010	0.840	12,000,000	12,000,000
	5 October 2006 to 27 March 2010	0.840	12,000,000	12,000,000
14 February 2003	14 February 2004 to 27 March 2010	0.874	366,000	366,000
	14 February 2005 to 27 March 2010	0.874	366,000	366,000
	14 February 2006 to 27 March 2010	0.874	368,000	368,000
18 March 2003	18 March 2004 to 27 March 2010	0.800	250,000	250,000
	18 March 2005 to 27 March 2010	0.800	250,000	250,000
	18 March 2006 to 27 March 2010	0.800	250,000	250,000
	18 March 2007 to 27 March 2010	0.800	250,000	250,000
28 March 2003	28 March 2004 to 27 March 2010	0.776	76,000	76,000
	28 March 2005 to 27 March 2010	0.776	76,000	76,000
	28 March 2006 to 27 March 2010	0.776	76,000	76,000
	28 March 2007 to 27 March 2010	0.776	72,000	72,000
			50,400,000	50,400,000

No share option under the New Scheme was exercised during the year ended 31 March 2003.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 32. SHARE PREMIUM AND RESERVES

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>				
Balance at 1 April 2002	1,044,231	1,001,053	1,110	2,046,394
Issue of shares	14,682	–	–	14,682
Profit for the year	–	–	72,391	72,391
Dividends paid	–	–	(73,357)	(73,357)
Balance at 31 March 2003	1,058,913	1,001,053	144	2,060,110
Issue of shares	48,748	–	–	48,748
Profit for the year	–	–	142,725	142,725
Dividends paid	–	–	(140,499)	(140,499)
<b>Balance at 31 March 2004</b>	<b>1,107,661</b>	<b>1,001,053</b>	<b>2,370</b>	<b>2,111,084</b>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Skyworth Digital Group 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 *For the year ended 31 March 2004*

### 32. SHARE PREMIUM AND RESERVES – *Continued*

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

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Contributed surplus	<b>1,001,053</b>	1,001,053
Accumulated profits	<b>2,370</b>	144
	<b>1,003,423</b>	1,001,197

### 33. PLEDGE OF ASSETS

At 31 March 2004, the Group's land and buildings with an aggregate net book value of HK\$18,400,000 (2003: HK\$19,724,000) and a piece of land included in construction in progress with carrying amount of HK\$36,989,000 (2003: nil) were pledged to banks to secure the banking facilities granted to the Group.

### 34. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

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 building which fall due as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Within one year	<b>11,489</b>	8,265
In the second to fifth years inclusive	<b>22,359</b>	14,661
Over five years	–	340
	<b>33,848</b>	23,266

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

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 34. OPERATING LEASE ARRANGEMENTS – *Continued*

#### The Group as lessor

Property rental income earned during the year was HK\$29,830,000 (2003: HK\$3,859,000). The investment properties are expected to generate rental yield of 16.5% per annum on an ongoing basis. The Group's investment properties held have committed tenants ranging from two to ten years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	<b>29,675</b>	24,853
In the second to fifth years inclusive	<b>28,801</b>	40,316
Over five years	<b>91</b>	502
	<b>58,567</b>	65,671

### 35. CAPITAL COMMITMENTS

At 31 March 2004, the Group had the following capital commitments:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Commitments contracted for but not provided in respect of:		
Purchase of other property, plant and equipment	<b>11,785</b>	63,268
Investment in unlisted equity securities in the PRC	<b>2,340</b>	5,460
Factory buildings under construction	<b>13,293</b>	–
	<b>27,418</b>	68,728

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 authorised but not contracted for in its financial statements as at 31 March 2004 amounting to HK\$5,341,000 (2003: HK\$5,160,000).

**36. CONTINGENT LIABILITIES**

- (a) On 5 August 2003, the Group received a writ of summons issued by Digital Theater Systems, Inc. ("DTS") from the High Court of Hong Kong against two wholly-owned subsidiaries of the Company, in respect of the alleged claims in connection with the use of certain logos and technology of DTS by the two wholly-owned subsidiaries of the Company. In the opinion of the directors, the Group has adequately accrued for the liabilities in relation to the above claims in the financial statements.
- (b) At 31 March 2004, the Company has executed certain corporate guarantees in favour of banks in respect of credit facilities granted to subsidiaries to the extent of HK\$254,000,000 (2003: HK\$159,000,000).

**37. RETIREMENT BENEFITS SCHEME**

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 retirement benefit scheme operated prior to 1 December 2000 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 the future years.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The PRC subsidiaries are 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 *For the year ended 31 March 2004*

### 37. 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:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Retirement benefit scheme contributions made by the Group	<b>1,322</b>	1,489
Pension costs in the PRC	<b>3,389</b>	3,808
<b>Total retirement benefit scheme contributions</b>	<b>4,711</b>	5,297

At 31 March 2004, there were no forfeited contributions available to offset future employers' contributions to the scheme.

### 38. DISPOSAL OF A SUBSIDIARY

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Share of net assets disposed of:		
Property, plant and equipment	–	15
Bank balances and cash	–	937
Minority interest	–	(285)
Share of net assets of a subsidiary	–	667
Transfer to interest in an associate	–	(333)
Net assets disposed of	–	334
Gain on disposal of a subsidiary	–	367
<b>Total consideration</b>	<b>–</b>	<b>701</b>
Satisfied by:		
Investments in securities	–	701
Cash outflow arising on disposal:		
Bank balances and cash disposed of	–	937

During the year ended 31 March 2003, the Group disposed of 35% equity interest in a subsidiary and the subsidiary became an associate on the effective date of disposal. The subsidiary disposed of during that year had no significant impact on the results and cash flows of the Group for that year.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 39. TRANSFER OF BUSINESS

During the year ended 31 March 2004, the Group conducted a review of its production operations in the PRC. As a result, the Group's manufacturing operations of monitor system and small screen size televisions for exports were transferred to 深圳市創維群欣安防科技有限公司, a jointly controlled entity of the Group (the "JCE"). The employment contracts of the PRC workers were terminated and re-employed by the JCE. In this regard, a compensation of HK\$4,673,000 was agreed to be paid to those workers. In connection with this restructuring of production operations, certain assets and liabilities were transferred to the JCE as summarised below:

	<i>HK\$'000</i>
Inventories	9,047
Trade and other receivables	5,432
Investments in securities	4,673
Bank balances and cash	4,036
Trade and other payables	(10,207)
	<hr/> 12,981

Satisfied by:

Amount due from the JCE	12,981
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In addition, the Group had transferred certain land and buildings with net book value of HK\$3,347,000 to the JCE at no consideration. The Group's attributable share of the value of those land and buildings was accounted for as the Group's interest in the JCE.

### 40. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 15 May 2003, the Group acquired an additional 19.5% interest in the registered capital of a subsidiary, Skyworth Chuangwei – RGB Electronics Co. Limited ("Skyworth-RGB"), from the minority shareholder for a cash consideration of HK\$9,346,000. This transaction has been accounted for using the acquisition method of accounting.

### 41. MAJOR NON-CASH TRANSACTION

During the year, 16,152,170 shares of HK\$0.1 each in the Company were issued at HK\$1.8088 per share as scrip dividend amounting to HK\$29,216,000.

## Notes to the Financial Statements *For the year ended 31 March 2004*

### **42. RELATED PARTY TRANSACTIONS**

Other than as disclosed in notes 8, 39 and 40 above, the Group had entered into the following significant related party transactions during the year:

- (a) The Group acquired certain land and buildings from the minority shareholder of Skyworth-RGB at an aggregate consideration of HK\$19,849,000 during the year. The purchase consideration of the land and buildings was determined by both parties involved.
- (b) The Group incurred sub-contracting charges of HK\$3,044,000 (2003: nil) to the JCE. The charges were based on pre-determined rates agreed by the parties involved.
- (c) The Group sold raw materials of HK\$3,688,000 (2003: nil) to the JCE. The prices are determined at cost plus percentage of profit.
- (d) The Group paid rental expenses, for leasing warehouse premise, of HK\$246,000 (2003: HK\$246,000) to Main Sea Development Limited, a company in which Mr. Wong Wang Sang, Stephen, the Chairman of the Company, has a beneficial interest. The rental expenses were based on a pre-determined monthly amount.
- (e) The Group received interest income, which calculated at 4.779% (2003: 5.85%) per annum on the outstanding balance of unsecured loan from jointly controlled entity of the Group amounting to HK\$720,000 (2003: HK\$1,372,000).

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2004 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 %	Principal activities
深圳創維－RGB電子 有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC ( <i>note a</i> )	Registered capital RMB12,572,000	95	Manufacture and sale of consumer electronic products
Skyworth Broadband Technology Limited	British Virgin Islands	Ordinary shares US\$100	100	Investment holding
創維數字技術(深圳) 有限公司	PRC ( <i>note b</i> )	Registered capital US\$1,500,000	100	Research and products development and trading of consumer electronic products
Skyworth Optical- Electronic Company Limited	British Virgin Islands	Ordinary shares HK\$37,500,000 and US\$10,000	100	Investment holding
創維光電科技(深圳) 有限公司	PRC ( <i>note b</i> )	Registered capital US\$1,500,000	100	Research and development and trading of internet related television technology and related products
Skyworth Display Limited	British Virgin Islands	Ordinary share US\$1	100	Trading of optical projecting and display products
Skyworth Digital Group Limited ( <i>note c</i> )	British Virgin Islands	Ordinary shares HK\$893 Preference shares HK\$990	100	Investment holding

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 43. 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 %	Principal activities
新創維電器(深圳) 有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC ( <i>note b</i> )	Registered capital US\$15,338,000	100	Manufacture of consumer electronic products and property holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK\$30,600,000 Non-voting deferred shares HK\$2,500,000 ( <i>note d</i> )	100	Procurement of raw materials and investment holding
Skyworth Industries Limited 創維實業有限公司	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 ( <i>note b</i> )	Registered capital HK\$50,000,000	100	Investment holding
Skyworth Multimedia International Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding
Skyworth Multimedia International Limited 創維多媒體國際有限公司	Hong Kong	Ordinary shares HK\$10,000	100	Manufacture and sale of consumer electronic products
Skyworth Moulds Industrial Company Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding



## Notes to the Financial Statements *For the year ended 31 March 2004*

### 43. 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 %	Principal activities
創維多媒體(深圳) 有限公司	PRC ( <i>note b</i> )	Registered capital US\$3,500,000	100	Manufacture and sale of consumer electronic products
新創維注塑(深圳) 有限公司 Skyworth Plastic (Shenzhen) Co., Ltd.	PRC ( <i>note b</i> )	Registered capital US\$2,100,000	100	Property holding
Skyworth Sales (Hong Kong) Co., Limited 創維集團香港銷售 有限公司	Hong Kong	Ordinary shares HK\$2	100	Trading of consumer electronic products
Skyworth Macao Commercial Offshore Company Limited 創維澳門離岸商業服務 有限公司	Macau	Ordinary shares MOP\$100,000	100	Research and development
Winform Inc.	British Virgin Islands/ Hong Kong	Ordinary share US\$1	100	Property holding
Skyworth Cyber Port Limited	British Virgin Islands	Ordinary share US\$10	100	Investment holding
創維數碼置業(南京) 有限公司	PRC ( <i>note b</i> )	Registered capital US\$6,000,000	100	Property holding
Information House Limited	British Virgin Islands	Ordinary share US\$1	100	Investment holding
創維平面顯示科技 (深圳)有限公司	PRC ( <i>note b</i> )	Registered capital US\$12,000,000	100	Property holding

## Notes to the Financial Statements *For the year ended 31 March 2004*

### 43. 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 %	Principal activities
Skyworth Mobile Communication Limited	British Virgin Islands	Ordinary shares US\$1	100	Investment holding
創維移動通信技術 (深圳)有限公司	PRC ( <i>note b</i> )	Registered capital US\$1,500,000	100	Research and development and trading of mobile communication related products

*Notes:*

- (a) The subsidiary is a sino-foreign equity joint venture registered in the PRC.
- (b) The subsidiaries are wholly foreign owned enterprises registered in the PRC.
- (c) The Company directly holds the entire interest in Skyworth Digital Group Limited. The interests of all other companies are indirectly held by the Company.
- (d) 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 2004 or at any time during the year.