

**SKYWORTH DIGITAL HOLDINGS LTD :
MANAGEMENT GETS GREEDY AS THE COMPANY GOES PUBLIC**

One of the most worrying aspects of the newest addition to the ranks of The Stock Exchange of Hongkong Ltd is that the 7 Executive Directors intend to take relatively huge remuneration packages, equal to an increase of 150 percent, at least, over their aggregate, take-home pay during the last Financial Year, ended March 31, 2000.

This is clearly stated on Page 228 of the Prospectus of Skyworth Digital Holdings Ltd.

It states:

'It is estimated that approximately a total of HK\$10,000,000 will be paid to the executive Directors as their remuneration for the year ending March 31, 2000. Under the new service contracts made between the Company and the executive Directors ... the aggregate basic salaries payable to the executive Directors for the year ending 31st March, 2001 will be HK\$25,000,000. As provided in the new service contract between each executive Director and the Company, the basic salary of each executive Director may be increased at the discretion of the Directors by not more than 10 per cent. per annum. In addition, each executive Director is also entitled to an annual bonus in a sum to be determined at the discretion of the Directors provided that the aggregate amount of the bonuses payable to all of the executive Directors for any financial year of the Company may not exceed 10 per cent. of the audited consolidated net profit of the Company after taxation and minority interests but before extraordinary items for that financial year.'

This leaves the door wide open for the 7 Executive Directors to award themselves just about anything, and at any time.

On the basis of \$HK25 million, being the aggregate remuneration package for the 7 Executive Directors, and assuming that the lolly is shared equally, they will be receiving nearly \$HK300,000 per Director per month.

And that would not include other little perquisites of office and, of course, their bonuses which, in the last Financial Year, ended March 31, 2000, would have amounted to not more than \$HK30 million, in aggregate, or about \$HK4.29 million per Executive Director, assuming the bonuses were shared equally -- which is not very likely.

But, aside from this very greedy entry in the Prospectus of Skyworth Digital, this maker of consumer electronic products appears to be a very solid, very large, and a very successful manufacturing conglomerate.

The Company is issuing 50 million New Shares and is Placing another 450 million, 10-cent Shares at a premium of \$HK1.97 per share in order to raise between \$HK993.70 million and \$HK1,094.60 million, depending on whether or not there will be an over-subscription of shares.

The Net Proceeds of this flotation are intended to be used as follows:

1. \$HK200 million to develop and expand further production and sales operations for colour television sets in the People's Republic of China (PRC);
2. \$HK100 million to develop and expand further production and sales operations of digital audio-

visual products in the PRC;

3. \$HK100 million to develop Internet and network communication products;
4. \$HK250 million to be used for research and development; and,
5. Between \$HK343.70 million and \$HK444 million (or thereabouts) to be put into the pot as General Working Capital.

The last-mentioned item is a bit of a giggle because, on Page 145 of the Prospectus, under the Accountants' Report, it is stated that the Company had about \$HK728 million in bank balances and cash, as at October 31, 1999.

And at Page 92 of the Prospectus, it is stated that the Company had cash and bank balances, including time deposits, amounting to about \$HK645 million, as at January 31, 2000.

The Financials

Since 1997, Skyworth Digital has made, what must be considered in the manufacturing world, to be impressive gains.

Between 1997 and 1998, it improved its Bottom Line by about 26.25 percent.

In the following Financial Year, it tacked on another gain, equal to about 20 percent, Year-On-Year.

For the Financial Year, just ended (March 31, 2000), Management is forecasting that its Bottom Line will not be less than \$HK300 million, or another improvement on not less than 24.61 percent, Year-On-Year.

The following table is lifted directly from the Company's Prospectus at Page 94:

	Year ended March 31			
	1997	1998	1999	Seven Months to October 31, 1999
	<i>(All Figures Are Denominated In \$HK'000)</i>			
Turnover	1,576,711	2,274,187	3,009,671	2,019,640
Cost of Sales	(1,201,707)	(1,754,469)	(2,283,211)	(1,539,785)
Gross Profit	375,004	519,718	726,460	479,855
Selling Expenses	(129,884)	(203,747)	(332,857)	(199,031)
General Administrative Expenses	(47,466)	(78,718)	(103,167)	(61,976)
Other Income	1,401	4,666	12,873	11,667
Profit From Operations	199,055	241,919	303,309	230,515
Finance Costs	(8,254)	(9,484)	(10,791)	(11,040)
Profit Before Taxation	190,801	232,435	292,518	219,475
Taxation	(34,313)	(27,917)	(46,829)	(32,966)
Profit After Taxation	156,488	204,518	245,689	186,509
Minority Interests	2,374	(3,955)	(4,943)	(1,931)
Net Profit Attributable to Shareholders	158,862	200,563	240,746	184,578

Management has, consistently, paid dividends since 1997, with \$HK10 million being paid in each of the 1997 Financial Year and the 1998 Financial Year, and then a \$HK210- million dividend, having been paid in the 1999 Financial Year.

While Management is forecasting a record level of Profit Attributable to Shareholders for the Financial Year, ended March 31, 2000, at not less than \$HK300 million, it is stated, at Page 101 of the Prospectus, that while no dividends ... [CLICK TO ORDER FULL ARTICLE](#)

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