Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2007/08

Stock Code : 751

20th ANNIVERSARY

Objective

Wholly devoted to provide excellent digital audio-visual life to humans

Vision

To be the world's No. 1 in the audio-visual industry

Mission

Let Skyworth products enter into millions of families, and people in different countries and different human races enjoy the beauty and fun of digital audio-visual life

Core Value

Win-win is the foundation of our survival and development

Contents

Financial Highlights

Amount expressed in HK$ million (except for share data)

	2008	2007	Change
OPERATING RESULTS			
Turnover	**13,939**	12,560	+11.0%
Operating Profit (EBIT)	**705**	158	+346.2%
Profit attributable to equity holders of the Company	**457**	128	+257.0%
FINANCIAL POSITION			
Net cash from (used in) operating activities	**572**	(162)	-453.1%
Cash position*	**3,259**	891	+265.7%
Bank loans	**3,135**	934	+235.7%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**610**	324	+88.3%
Equity attributable to equity holders of the Company	**3,948**	3,263	+21.0%
Working capital	**2,572**	2,340	+9.9%
Bills receivable	**4,403**	3,847	+14.4%
Bills discounted with recourse	**817**	610	+34.0%
Trade receivables	**1,276**	649	+96.6%
Inventories	**1,913**	1,573	+21.6%
KEY RATIOS			
Gross profit margin (%)	**21.4%**	16.1%	+5.3pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**6.2%**	2.3%	+3.9pp
Profit margin (%)	**3.4%**	1.0%	+2.4pp
Return on equity holders of the Company (ROE) (%)	**11.6%**	3.9%	+7.7pp
Debt to equity (%)**	**79.4%**	28.6%	+50.8pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**15.5%**	9.9%	+5.6pp
Net debt to equity	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.3**	1.5	-13.3%
Trade receivable turnover period (days)***	**133**	119	+11.8%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	**115**	108	+6.5%
Inventories turnover period (days)***	**58**	58	+0.0%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	**19.95**	5.59	+256.9%
Earnings per share – Diluted	**19.87**	5.57	+256.7%
Dividend per share	**5.0**	1.7	+194.1%
Book value per share	**172.2**	142.6	+20.8%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,293**	2,289	+0.2%
Market capitalisation	**1,697**	2,129	-20.3%

* Cash position refers to bank balances and cash, including pledged bank deposits of approximately HK$1,870 million (2007: HK$65 million)

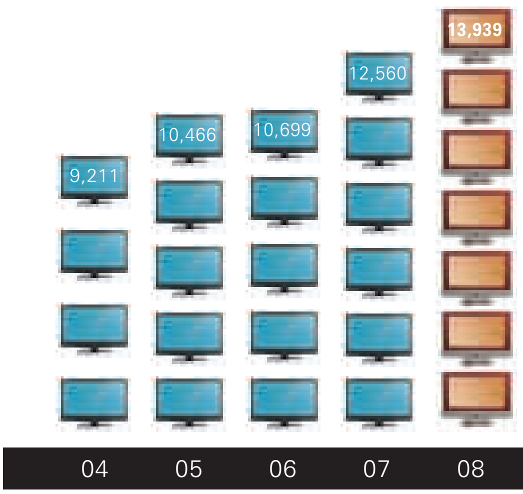
** Bank loans and financial liabilities arising from discounted bills/equity attributable to equity holders of the Company at year end

*** Calculated based on average inventory/average sum of bills receivable and trade receivables

Financial Highlights

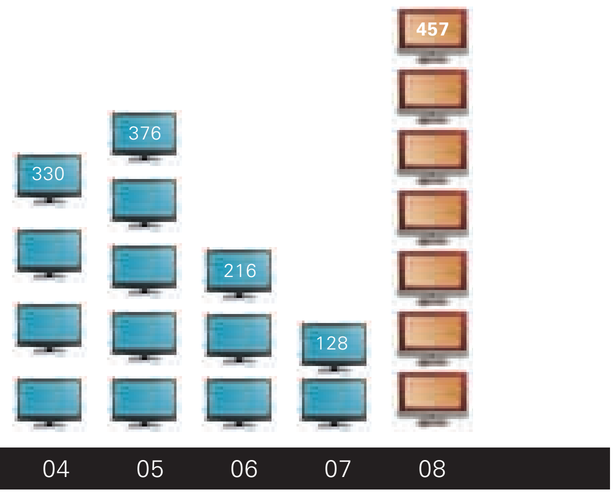
Turnover

(HK$ million)



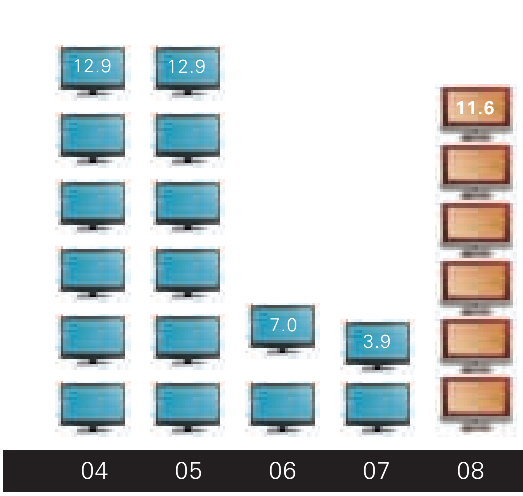
Profits Attributable to Equity Holders of the Company

(HK$ million)



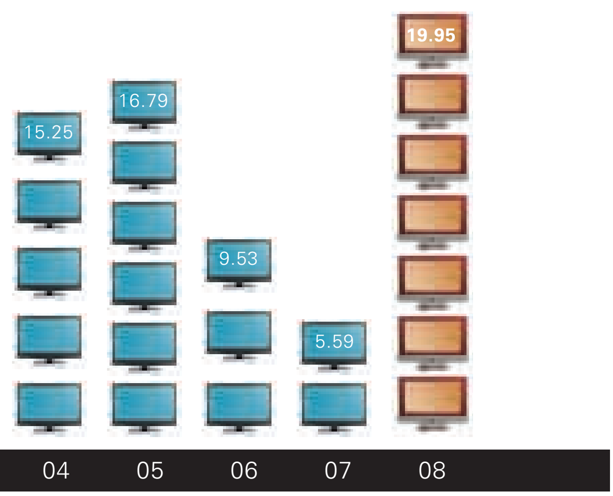
Return on Equity Holders of the Company (ROE)

(%)



Earnings Per Share – Basic

(HK cents)



Letter from Executive Chairman and Chief Executive Officer

Zhang Xuebin
Executive Chairman and Chief Executive Officer

HIGHLIGHTS OF RESULTS

The Group recorded the following results during the year ended 31 March 2008:

- Turnover reached HK$13,939 million which represents an increase of 11.0%.
- Gross profit achieved HK$2,984 million and gross profit margin was 21.4% (increased by 5.3 percentage points and 32.9% of the prior year's gross profit margin).
- Profits for the year after and before gain on disposal of partial interest of a subsidiary were HK$480 million and HK$420 million, respectively. These represent significant increases of 275.0% and 228.10%, respectively, when compared with those in the prior year.
- The Board has proposed a final cash dividend of HK4.5 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 25% for the whole year.

Letter from Executive Chairman and Chief Executive Officer

Dear shareholders, partners and other stakeholders:

The calendar year 2008 is a year of full of cerebrations for us!

During the calendar year, Skyworth reached 20 years of age and, in the financial year ended 31 March 2008 (the "Reporting Year"), we produced the best year results ever in the last 20 years!

20 YEARS ANNIVERSARY

In April 1988, Skyworth started its business, mainly television ("TV") exporting, in Hong Kong. It gradually expanded to a group of companies (the "Group") in 1992 with manufacturing operations. In 2000, the shares of Skyworth Digital Holdings Limited (the "Company") were listed on the main board of the Hong Kong Stock Exchange.

During the past 20 years, we have turned Skyworth into a leading brand of TVs in mainland China. At the same time, we have successfully incubated our set-top box business into one of the major players in the set-top box market in mainland China. The Group's turnover has increased every year by approximately 8.8 times from approximately HK$1,577 million in the year ended 31 March 1997 to approximately HK$13,939 million in the Reporting Year. Concurrently, it reported net profit after taxation every year (except for the year ended 31 March 2001). Since the year ended 31 March 2002 and up to now, we have been distributing dividends to our shareholders every year for consecutive six financial years.

BEST YEAR EVER RESULTS

During the Reporting Year, the Group's turnover reached an all time high level of approximately HK$13,939 million, an increase of 11% as compared to the year ended 31 March 2007 (the "Previous Year"). Its net profit after taxation before and after the amount of gain, resulting from our sales of, in aggregate, 28% of equity interests in set-top box business, were approximately HK$480 million and HK$420 million, respectively. These represented respective increases of 275.0% and 228.1% from the net profit after taxation of approximately HK$128 million for the Previous Year. The net assets increased by approximately HK$689 million (21.1%) to HK$3,952 million or HK$1.72 per shares. Simultaneously, the Group generated a net increase in cash and cash equivalents of approximately HK$563 million.

The success of the Group in the Reporting Year is attributable to the remarkable performance of our mainland China TV and set-top box business units, which generated results with an aggregated amount substantially exceeding the aggregated amount of net losses after taxation of the Group's small appliance, mobile phone and overseas television business units.

PROGRESSING FORWARD

In the Reporting Year, we have closed down our small appliance business unit which would not have further adverse effects on the Group's future results. Subsequent to the end of the Reporting Year, we have also disposed of 80% equity interests in our mobile phone business in order to minimise our exposure to financial and operational risks. As the issues regarding these two business units are now adequately resolved, we would be able to fully enjoy the great potential of our mainland China TV and set-top box business units. Furthermore, we expect our overseas TV business unit will be benefited from the increasing original equipment manufacturer service orders from major international brands of TVs, and thus would be in a break-even position in the year ended 31 March 2009 (the "Coming Year").

Letter from Executive Chairman and Chief Executive Officer

For the Coming Year, the Group's target sales volume for TV in the mainland China and overseas markets are 6.5 million units and 2.5 million units, respectively. These represent the same sales volume and a 39% increase from the actual sales volume in the Previous Year for TV in mainland China and overseas markets, respectively. However, we expect an increase of turnover from the mainland China TV market as a result of the expected high increase of sales of liquid crystal display TVs which command higher average selling prices.

In the Coming Year and a few years afterward, mainland China market will still be our main focus. Our strategy to concentrate most of our resources to develop business in the mainland China market creates a virtuous circle as best evidenced by our track record in past years. Although negative factors in mainland China mainly, high inflation, unification of tax rates of foreign and local enterprises, credit crunch, competition from foreign brands, prolongation of net operating capital cycle and, unfortunately, natural disasters in this calendar year 2008 have created challenges for businesses focusing on mainland China market, they are outweighed by the positive factors in the mainland China which are and will be very much favourable to the Group:

- the continuous growth of economy (9.7% in 2008 and 9.8% in 2009 based on IMF's World Economic Outlook released in July 2008) further improves standard of living of consumers;
- the digitalisation of broadcasting program shifts from a pre-heated stage to a popular stage, pushing the demand for high definition TVs and set-top boxes which is expected to increase in a rapid pace within the next few years;
- strong Reminbi which reduces our overseas purchase cost and increases exchange gain;
- Beijing Olympic and World Expo create business opportunities one after another; and
- the further in depth urbanisation of villages and building of new villages progressively release purchasing power.

In order to prepare ourselves for the challenges, I have devised operation outline of the Group for the Coming Year:

concentrating resources to strengthen the core business;
reinforcing implementation power to control risks;
solidifying foundations to improve work flows; and
creating new product models to increase profitability.

APPRECIATION

On behalf of the board of directors, I must offer my heartfelt appreciation to our staff, management team, partners and all others who exerted themselves to create a historical high result in the Reporting Year. During the Reporting Year, they demonstrate their capabilities to create value for the Group. I am fully confident that they will, again, make crucial contributions to the Group's success in the Coming Year and future.

Yours sincerely,

Zhang Xuebin
Executive Chairman and Chief Executive Officer
23 July 2008

Management Discussion and Analysis

Founding Period (1988-1993)

In the founding period, our main question was which industry should we enter into and what business should we be involved? At this time, the founder determined the company's jump-off point and direction. To have a good start, Skyworth's founder chose home electric appliance industry that the most familiarised with and the ample resources in the industry. The first lesson he learnt is the business operation hardship, however, by possession of the acumen, discernment and passion, he made Skyworth successfully keep its feet in the industry.

- 1988 – Skyworth Industry Co. Ltd was founded in Hong Kong
- 1990 – Entry into the manufacturing industry (TV remote control)
- 1992 – Skyworth (Group) Company Limited (Renamed as Skyworth TV Holdings Limited now) was founded in Hong Kong

Management Discussion and Analysis

BUSINESS PERFORMANCE REVIEW

(1) Strong Growth in Turnover

The year ended 31 March 2008 (the "Reporting Year") has marked a remarkable turnover for the Group, reaching HK$13,939 million and an ascending growth record of HK$1,379 million or up by 11%, comparing with previous year.

The significant growth in turnover revealed the Group's success in carrying out its repositioning strategies to attain a significant presence by establishing effective brand channels to expand its market share within the high-end television ("TV") market, as well as consistency in meeting the target as set out in previous year's annual report.

In light of the transforming market trend, and with consideration of the PRC Government's network digitisation, the market demand for high-end TV products, which carried a higher average price per unit than that of the tradition TVs, was moving upward. As a solution to match the pace of the mainland China market growth, the Group further expanded its core business including digital TVs and set-top boxes, and continued to extend businesses within the related electronics chain such as liquid crystal display ("LCD") modules during the Reporting Year as effective measures for the cost and supply chain controls of high-end TV market development.

(2) Turnover by Geographical and Product Segments

(a) Mainland China Market

The sales derived from the mainland China market increased by 9% from previous year, amounted to HK$12,311 million and accounted for 88.3% of the Group's total turnover.

Within the core business of the Group, TV products held a predominant share of total turnover in the mainland China, with sales accounted for 92.4% of this market segment. The digital set-top boxes business unit was able to sustain a consistent growth, representing 5.7% of total sales from the same segment. The remaining 1.9% turnover was from the Group's non-core businesses including mobile phone, electrical appliances, moulds and audio-visual businesses.

TV Products

Continuous market trend to consume new technology makes owning panel TV products a living icon, benefiting the sales from TV products grown to HK$11,254 million for the Reporting Year and achieving a 12.2% increment from previous year. In the course of the TV technology evolution, dropping in selling prices develops a market trend and increases the profitability. For the Reporting Year, panel TV products remained as the core business of the Group, and the product lines gradually mature, with sales and turnover ratio exceeds 50% of the total sales of TV products in the mainland China, and an average gross profit margin of 23.9%.

BUSINESS PERFORMANCE REVIEW *(continued)*

(2) Turnover by Geographical and Product Segments *(continued)*

(a) Mainland China Market *(continued)*

According to the March 2008 issue from GFK Asia Pte. Ltd., a reputable market research organization conducting regular researches covering 100 major PRC cities, Skyworth was ranked number 4 or market share of 8.5% in terms of overall sales amount and number 2 or market share of 12.6% in terms of overall sales quantity. Skyworth's strategic market positioning in the high-end TV market continued to be one of the key factors for the Group's achievement of a steady growth in turnover and market share during the year.

The phasing out and replacing of the analogue broadcasting by digital broadcasting in the next decade continues to set enormous business opportunities for the high-end TV products. The Group actively responses to the challenges including the launch of high-definition cathode ray tube ("CRT") TVs, LCD TVs and plasma TVs in different sizes to meet with consumers' diverse preferences. In particular, the effect from reducing retail pricing from the steadily improving technology, increasing consumption and scaling effect broke the barrier of consumption, which resulted in a tremendous raise in the turnover of LCD TVs by HK$2 billion, an increase of 49% as compared with prior year. During the Reporting Year, the Group sold 2.7 million units of high-end TV products accounted for 41% of the total sales volume of TV products in the mainland China; when compared with prior year, represented an increment of 7.6%.

Other factors attributing to the growth of TV products turnover including:

- the allocation of best resources to establish icon product with value-added functions including 16:9, slim CRT TVs and CooCaa Multimedia TVs (the first "network content" TV available in the market);

Management Discussion and Analysis

BUSINESS PERFORMANCE REVIEW *(continued)*

(2) Turnover by Geographical and Product Segments *(continued)*

(a) Mainland China Market *(continued)*

- the 2008 Beijing Olympics stimulus;
- the increasing gross profit margin resulting from the Group's strategic improvements on product pricing, product life cycle management, and distribution networking policies; and
- the improving competitiveness supported by effective chain support and facilitation of effective cost controls.

Digital Set-top Boxes

Continuous growing presence of the "Skyworth" brand sets a significant growing path for the sales of set-top boxes. During the year, the sales of digital set-top boxes in the mainland China reached HK$702 million, which is equivalent to a 24.9% increase comparing to the prior year's record of HK$562 million.

The implementation of national transmission standard and the standardisation of TV broadcasting for both cable and satellite TVs in China has resulted with a significant growth in cable TV users in the second half of 2007. It could be imagined that the size of digital TV market would be expanded together with the increase in popularity and coverage of digital broadcasting as the PRC targeted to enter into a new era of full digitisation in 2015.

Mobile Phones

The mobile phone segment reported a significant drop in turnover by HK$318 million during the Reporting Year, representing a drop of 66.1%. It was a difficult year for the mobile phone business, with the operating environment facing great pressures from lowering of entrance barriers inducing rivalry from local and global brands, damaging the profit margin of the business.

Factors such as time consuming research and development period, slow launching, and short product cycle led to stacking inventories and the need to sell at much lower price, seriously affected product turnovers and profitability. After analyzing the business model and technology strategies, the Group decided to sell 80% of its equity interest in mobile phone business to a supplier of the business in order to limit its exposure to the financial and operational risks from the business.

BUSINESS PERFORMANCE REVIEW *(continued)*

(2) Turnover by Geographical and Product Segments *(continued)*

(b) Overseas Markets

The Group's turnover for the overseas markets amounted to HK$1,579 million and accounted for 11.3% of the total turnover for the Reporting Year.

TV Products

The sales of TV products were primarily derived from customers of original equipment manufacturer ("OEM") services. For the Reporting Year, it amounted to HK$1,008 million, accounting for 63.8% of the total overseas turnover.

The business unit's structure and operation underwent a major revamp after its restructure in Year 2007 to better tackle the rapid changing operations and rising businesses from newly developed markets. Strengthening the customer and product structures making transformation evident into a first-rated OEM and original equipment manufacturer ("ODM") service provider to obtain acceptance by international major TV brand names. The gradual transformation caused a slightly decline in turnover by 3.3% but increase in gross profit margin by 2.5% comparing to previous year. The overseas business unit continues to improve its turnover through increasing its OEM services for CRT and LCD TVs and other audio-visual products.

Digital Set-top Boxes

Turnover of set-top boxes in the overseas markets was HK$419 million for the Reporting Year, accounted for 26.5% of the total overseas turnover. The advancement in overseas markets proved challenging. Home-grown rivals in the overseas markets gained competitive edge in the form of stronger research and development teams, and better understanding of the local requirements. In addition, patents, environmental issues especially in Europe put tensions on our costs and in turn dampened our competitiveness. As it is expected the growth in mainland China bypass the overseas market, which sets momentum for the Group to focus on the mainland China market. In spite of the challenges, the Group decided not to gain sales at the expense of profit margin. Consequently, turnover of set-top boxes accelerated by 145%, while gross profit margin rose by 3%.

BUSINESS PERFORMANCE REVIEW *(continued)*

(2) Turnover by Geographical and Product Segments *(continued)*

(b) Overseas Markets *(continued)*

Geographical Distribution

Below analysis illustrates the geographical distribution of turnover to overseas markets in percentage:

	For the year ended 31 March 2008 (%)	For the year ended 31 March 2007 (%)
Asia (including Japan, Korea, Vietnam, etc.)	**29**	25
Europe	**38**	35
America	**25**	18
Middle East	**3**	10
Australia and New Zealand	**1**	6
Africa	**4**	6
	100	100

Asia, Europe and America aggregated to 92% of the total overseas turnover. Owing to fierce competition and Group repositioning, markets including Africa, Middle East, Australia and New Zealand altogether reduced 48.5% in turnover compared to previous year.

(3) Gross Margin

The overall gross margin of the Group for the Reporting Year was 21.4%, which is 5.3 percentage points higher than the previous year.

(a) China Market

The intensified competition between local and foreign brands continued to affect the gross margin of the electronic products. Keeping this in mind, the Group strived to improve the product qualities as well as to stay competitive in prices so as to keep customers interested.

During the Reporting Year, the gross margin of the high-end TV products in the mainland China edged up by an average of 5.2%. Although the Group continued to grant sales rebates to the distributors who promote the Group's products, adjustments to overall sales incentive programs to distributors were effective controls to yield a higher gross margin during the Reporting Year.

Similarly, the gross profit margin of set-top boxes in the mainland China edged up by 4.1 percentage points to 31.4%. Along with incurring extra costs such as enhancing functionality and providing after sales services to maintain the sales turnover, a price adjustment, which inevitably lowers the margin, was of necessity as a stimulus to trigger sales. With hindsight, turnover derived from digital set-top boxes in the mainland China rose more than 24.9% over the year. The decision of the management was well justified.

BUSINESS PERFORMANCE REVIEW *(continued)*

(3) Gross Margin *(continued)*

(b) Overseas Market

Through a series of evaluations, the Group consented to the use of previous year's strategy for profitability measurement by gross profit margin, which aligned with shareholders' interest, i.e. maximising shareholders' wealth. During the Reporting Year, the Group executed several courses of action that adversely affected the overall sales. Nonetheless, the two major components consisted in the overseas turnover, TV products and digital set-top boxes saw their gross profit margins raised by 2.5% and 3% respectively.

(4) Selling and Distribution Expenses

During the Reporting Year, the selling and distribution ("S&D") expenses rose from HK$1,610 million to HK$1,969 million, increased by 22.3%. Comparatively, ratio to turnover rose slightly by 1.3 percentage points. The expenses primarily consisted of brand promotion and marketing expenses, salaries of the sales and marketing personnel, and transportation expenses.

As a result of the Group's changes in promotional strategy in the mainland China market, the overall expenditure for brand promotion and marketing activities was HK$649 million, which was equivalent to a 28% increment from the previous year. Although the Group's TV business in mainland China accounted for most of the S&D expenses, its turnover increased by 12.2% during the Reporting Year. Values were also attained from regular brand promotional and marketing activities, popular TV programme sponsorships, and launching of target-oriented campaigns. Extra recruitment of promotional staff, increase expenditures on staff incentive bonus, sales-related bonus and year-end bonus were rewarded by the staggering annual growth of the Group's turnover.

In executing the Group's commitment in improving its product quality management, continuous assessment was proven to be a distinct strategy to reduce the defective rate and overall warranty allowance for the TV products, enhancing cost control as well as brand image in the long run. Despite the gradually increasing staff costs and transportation costs, the S&D expenses to turnover ratio increased gently by 0.8% which illustrated the management's use of effective means to constrain such ratio.

(5) General and Administration Expenses

Contrasting to the previous year, the Group's general and administration ("G&A") expenses for the Reporting Year rose significantly by HK$69 million or 16.5% to HK$488 million. The G&A expenses to turnover ratio compared with last year increased gently from 3.2% to 3.5%.

The management strongly believed well-equipped human capital is vital in sustaining the Group's success. Ensuring technological advantages of the Group, skilled labour including designers and engineers were necessary to facilitate the effective operations of plants and maintain fast growing business units of the Group, such as the set-top box business unit, especially within the Pearl River Delta Region where labour shortage is a serious concern. As target congruence, the Group continued to proportionate resources to attract the skilled and experienced from the human capital market, as well as to retain the existing best talents during the Reporting Year.

BUSINESS PERFORMANCE REVIEW *(continued)*

(5) General and Administration Expenses *(continued)*

During the Reporting Year, the Group made a provision of approximately HK$23 million for the trade receivables of a business unit engaged in small appliance business in the PRC. The directors decided to cease operations of the business unit and consider that the recoverability of accounts receivable is doubtful.

In general, the Group adopted well spending practice to ensure the G&A expenses were for the benefits of the Group. The management monitored and updated internal policies simultaneously to balance the use of resources and ensure cost objectives are achieved.

(6) Inventory Control

The net carrying value of the Group's inventories increased by 21.6% or HK$340 million, to HK$1,913 million as at the current year-ended as compared to the previous year.

The Group strongly believed inventory control guarded the door to keeping the flexibility of working capital to balance the diversification of Group products, which in exploring the right products could develop on its expertise in consumer digital/electronic devices. In order to stringent inventory control over logistics and supply-chain management, and to remain vigilant against the risk of slow-moving and obsolete inventories, the following courses of actions were adhered:

- Devise detailed production plan – Through experience and internal discussion, the management gathered comprehensive information on market demand, supply of raw materials, status of the production lines to successfully sustain an inventory level that ensured smooth production and prevent risk of overstock.

- Define Key Performance Indicators ("KPI") using status of inventory – The Performance of senior management from the business units are evaluated by the inventory turnover days, the incidence of raw material shortage, and the provision for inventory. The above measures align the interests of the business units' management with those of the Group as a whole.

- Unify scattered logistics centers – By undertaking the sales data, the Group adjusted the product supply level according to sales performance and developed a network hub with logistics centers in prime locations to minimise risk of slow-moving and obsolete inventory, and to ensure smooth supply of goods to shops with satisfactory selling results.

As at 31 March 2008, there is no change in the overall inventory turnover days from the previous year. The inventory turnover days for raw materials and finished goods were 17 days and 36 days respectively; while as at 31 March 2007, the turnover days were 17 days and 35 days respectively. Despite the inevitability in relatively high inventory level for new launching products, the above policies were effective measures in controlling consistent inventory cycles.

BUSINESS PERFORMANCE REVIEW *(continued)*

(7) Trade Receivables and Bills Receivable

As at 31 March 2008, trade receivables and bills receivable of the Group amounted to HK$1,276 million and HK$4,403 million respectively, totaling HK$5,679 million. When compared with the balances as at 31 March 2007, trade receivables rose by HK$627 million or 96.6%, whilst bills receivable climbed by HK$556 million or 14.5%. The amount of trade receivables and bills receivable was primarily attributable to TV products which accounted for 87.4%, and set-top boxes which accounted for 12.3%.

The surge in receivables related to TV business unit was coherent with its increase in sales turnover during the Reporting Year. Another cause contributed to the increased receivables was the increasing domination of the flat panel TVs in the market. The unit price of flat panel TV products is much higher than traditional CRT TVs, which is shown in the Group's receivables figure as a reflection after market repositioning.

Due to a rising demand for the set-top boxes, the sales and the trade receivables were higher than the previous year. The increase in sales of set-top boxes was not commensurate with the increase in the respective trade receivables, because the customers were usually cable operators under the State/Province/City – owned broadcasters who demand for longer credit period.

(8) Trade Payables and Bills Payable

The Reporting Year has recorded HK$734 million or 24.7% increment in trade payables and bills payable, with balance totaling HK$3,703 million. The factors driven the increase are:

- Shifting product mix towards flat panels – In line with the Group’s strategy, purchasing of prime raw materials and components drove up the amount of trade payables during the Reporting Year. Costs of components for flat panels were substantially higher than cathode ray tubes; and better materials were used to produce set-top boxes.

- Turnover days of accounts payable and bills payable as at 31 March 2008 were lengthened for mobile phone business due to the slower inflow of cash causing by undesirable market responses and high demand of procurement needs, hence affecting the settlement periods.

LIQUIDITY AND FINANCIAL RESOURCES

The bank balances and cash as at the year-end amounted to HK$1,389 million, which is an increase of HK$563 million or 68.2% from the previous year, while pledged bank deposits amounted to HK$1,870 million as at 31 March 2008 against HK$65 million as at 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The Group continued its raw materials procurements in balance with the production for new products in the new business segments and the implementation of the revised procurement management strategy. These reactions to the dynamic market change, together with the longer credit terms granted to customers by the Group, increased the overall operating cash flow requirements of the Group during the Reporting Year, the net cash inflow of operating activities amounted to HK$572 million. The operating cash flows were mainly financed by the internal generated funds of the Group and also the trade facilities obtained from banks and certain suppliers.

The balances of the financial liabilities, mainly the discounted bills with recourse, amounted to HK$817 million and HK$610 million recorded at 31 March 2008 and at 31 March 2007 respectively. Such discounted bills receivable with recourse would be released upon maturity. Apart from the trade facilities obtained, during the Reporting Year, the Group maintained a construction loan of HK$353 million for the development of Shiyan production plant in Shenzhen from the previous year.

As at 31 March 2008, the Group has utilized certain trade facilities and loans granted from various banks, secured by certain assets of the Group, including bank deposits of HK$1,870 million, bills receivable of HK$229 million, and certain of the Group's land and properties in the PRC and Hong Kong with net book value of HK$84 million.

Due to the said financial arrangements with the pledged bank deposits, the gearing ratio of the Group, calculated with reference to the total bank borrowings of HK$3,135 million (including discounted bills with recourse and foreign exchange arrangements amounted to HK$817 million and HK$1,708 million respectively) and shareholders' fund of HK$3,948 million, was 79.4% during the Reporting Year. Should the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements not been taken into account, such ratio would be 15.5%. In comparison with companies operated in the same industry, the Group maintained a healthy gearing position during the Reporting Year.

The significant increase in pledged bank deposits was resulted from the financial arrangements with various established banks in the PRC. Further elaboration is made in the next section. For other key financial ratios, please refer to Financial Highlights of the annual report.

TREASURY POLICY AND CASH FLOW MANAGEMENT

The Group's investments are mostly in the mainland China and its main revenue stream generates Renminbi. Due to Renminbi appreciation, the Group had recognised net foreign exchange gains of HK$28 million during the Reporting Year. Other than Renminbi, other Group's assets and liabilities are denominated either in Hong Kong dollars or in US dollars.

In view of the current and expected foreign exchange fluctuations, the Group engaged in forward contracts to perform natural hedging against potential foreign exchange risk. By taking advantage of the market anticipation of the increase of value in Renminbi, the Group aimed to maximize its foreign exchange gain by arrangements to borrow in US dollars at predetermined forward rates and secured by amount equivalent in Renminbi in forms of fixed deposits. In addition, the Group would monitor the foreign currency movement and interest rate movement to evaluate its mode of operations periodically, and to determine further hedging activities as appropriated. For details of arrangements, please refer to note 30 of the financial statement.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, the Group invested HK$90 million in production plants construction at various locations within the mainland China. HK$211 million was invested in the establishment of 廣州創維平面顯示科技有限公司(Skyworth Flat Panel Display Technology (GuangZhou) Ltd), HK$88 million in the acquisition of land, funded wholly by internal resources. In the coming years, HK$134 million would be invested in the setup of a new production plant situated in Guangzhou.

In order to maintain the competitiveness and strengthen its market position, the Group will invest over HK$228 million in the near future on the ongoing construction of the district logistic centers in Shuangliu of Chengdu, Yichun of Jiangxi and Lishui of Nanjing to enhance the logistics efficiency of the supply chain plays a very important role so that the profit margin of products would improve. Also, the Group had invested HK$109 million for a minority interest in a LCD module plant owned and operated by LG Display Co., Ltd after the Reporting Year end. The Group projected the strategic investment would have a favourable impact on its future sourcing of LCD panels.

In addition to the above capital investments, the Group had also spent approximately HK$129 million during the Reporting Year on the acquisition of other property, plant and equipment for business operation and expansion.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had no material contingent liabilities. The details of certain patent disputes are disclosed in the note to the consolidated financial statements in the annual report.

HUMAN RESOURCES CAPITAL

The Group believes an extensive and concrete human resources capital balances the expansion growth of Skyworth. To support the continuous development of existing business operations and the commencement of new production plant operations, the Group recruited more employees, with over 22,000 employees including sales personnel from more than 211 sales points as of the end of current year.

Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. Details of the remuneration policy of the directors and employees of the Group, and the duties and work performed by the Remuneration Committee and the Nomination Committee during the Reporting Year were disclosed in the Corporate Governance Report section in this annual report.

Corporate Governance Report

Business Creation Period (1993-1996)

The most critical issues are the resources and production capacity. The production permission, preferential policy and the land space are the most important and un-come-at-able resources, especially for private enterprises. After established Shenzhen Chuangwei-RGB Electronics Co., Ltd. in 1993, by joint venture basis, the Group successfully resolved the resource issue. With the establishment of Skyworth electronic manufactory at Baoan Shenzhen, the production capacity was crescents in 1996.

- 1993 – the Group jointed venture with China Shenzhen Television Company and China Electronic Component Industry Company to establish Shenzhen Chuangwei- RGB Electronics Co., Ltd.

- 1996 – Skyworth electronic manufactory was established at Baoan Shenzhen

Corporate Governance Report

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, Skyworth Digital Holdings Limited (the "Company") is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

COMPLIANCE WITH THE CODE

During the year ended 31 March 2008 and up to the date of this report, the Company has complied with the code provisions in the Code, except for one major deviation described below.

Code provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer of an issuer should be separate and should not be performed by the same individual.

With effect from 1 April 2007, Mr. Wang Dianfu resigned as the Executive Chairman and an executive director of the Company and Mr. Zhang Xuebin ("Mr. Zhang") was elected by the board of directors of the Company (the "Board") to replace Mr. Wang Dianfu as the Executive Chairman.

Following the appointment as Executive Chairman, Mr. Zhang is not only responsible for overseeing the business operations of the Company and its subsidiaries (the "Group") and implementing the business strategies and policies as determined by the Board from time to time, he is also responsible for the management of the Board, and the formulation of corporate strategy and future direction of the Group.

After evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. Zhang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Zhang to hold both positions as the Executive Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Group. Further, the Board considers that such change would not impair the balance of power and authority within the Board.

KEY CORPORATE GOVERNANCE PRINCIPLES

Board of Directors

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board of Directors *(continued)*

Board composition

As at the date of this report, the Board consists of eight members. Among them, five are executive directors ("EDs") and three are independent non-executive directors ("INEDs"). The biographical details of the directors of the Company ("Directors"), including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 36 to 44 of this annual report.

Executive directors

All of the EDs possess the qualification and experiences in their respective areas of responsibility and many of them have been worked for the Group for many years. Under the leadership of the Executive Chairman, the EDs are able to maintain the success of the Group's business.

Independent non-executive directors

All of the three INEDs are experienced professionals with different expertise in accounting, legal and electronic technology. Their mix of skills and experience, and their independent view on matters of the Group provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the shareholders in general and the Company as a whole.

The Board has received from each of the INEDs a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied of their independence up to the date of this report and in accordance with the Listing Rules.

Appointment, re-election and removal of Directors

A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board upon recommendation of the Nomination Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment.

According to the bye-laws of the Company as amended from time to time and the Code, all Directors are subject to retirement by rotation once every three years and no less than provided that one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board of Directors *(continued)*

Access for supporting

The Directors may have access to the advice and services of the company secretary of the Company ("Company Secretary") with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of legal action arising from the business of the Group against the Directors.

Board and executive meetings

The Board had held a total of five meetings during the year ended 31 March 2008, four of which were regular meetings held at quarterly intervals. Of these, two meetings were held mainly for approving the 2006/07 final results and the 2007/08 interim results of the Company; the other three meetings were held to consider new investment opportunities, the proposed disposal of certain percentage of shares in a subsidiary, the granting of share options to certain INEDs as well as senior management and employees within the Group, to review the strategic business directions, operating and financial performances, and other significant matters of the Group. Mr. Leung Chi Ching, Frederick, who is an ED and also acted in the capacities as the Chief Financial Officer and the Company Secretary, attended all of the board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial management.

Sufficient notices to board meetings are given to all Directors prior to the meetings for the purpose of providing all Directors with sufficient time to reschedule their business for the meetings, if necessary, and to propose matters to be included in the agenda for the meetings. An agenda and related documents are dispatched to all Directors at least three days before each of the meetings to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Executive Chairman prior to the meeting.

Management of the Company has, from time to time, supplied to the Board relevant information, as well as reports relating to operational and financial performance of the Group, enabling the Directors to make informed decisions. Members of the management who are responsible for the preparation of the documents for discussion at the board meetings are usually invited to present the relevant documents and to take any questions or address queries that the directors may have on the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision making processes.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board of Directors *(continued)*

Board and executive meetings *(continued)*

The proceedings of the Board at its meetings are conducted by the Executive Chairman who is responsible to ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. Minutes of the board meetings are recorded in sufficient detail about the matters considered by the Board and the decisions reached, including any concerns raised by the Directors. The minutes are kept by the Company Secretary or another personnel appointed by the Board at the meetings. Subsequently, the minutes are circulated to the Directors and are opened for inspection by the Directors.

Apart from the board meetings, the EDs also held ad hoc meetings to discuss affairs of the Group, mainly on operations and business issues, investment and performance evaluation, and management personnel appraisal, for subsequent reporting to the Board. During the year ended 31 March 2008, the EDs held eleven meetings, which were held and organised in a manner accepted by each of the EDs.

The attendance of individual members at board meetings and EDs' meetings held during the year ended 31 March 2008 are set out as follow:

	Board meetings		EDs' meetings	
Name of director	**Number of meetings attended/held**	**Attendance rate**	**Number of meetings attended/held**	**Attendance rate**
Executive Directors:				
Mr. Zhang Xuebin	5/5	100%	11/11	100%
Ms. Ding Kai	4/5	80%	11/11	100%
Mr. Leung Chi Ching, Frederick	5/5	100%	11/11	100%
Ms. Lin Wei Ping	5/5	100%	11/11	100%
Mr. Yang Dongwen	5/5	100%	11/11	100%
Independent non-executive Directors:				
Mr. So Hon Cheung, Stephen	5/5	100%	N/A	N/A
Mr. Li Weibin	5/5	100%	N/A	N/A
Mr. Xie Zhengcai	5/5	100%	N/A	N/A

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board of Directors *(continued)*

Securities transactions of Directors

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, the Company received confirmation from all of the Directors that they had complied with the Code of Conduct throughout the year ended 31 March 2008.

Board Committees

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by four board committees, namely executive committee, nomination committee, remuneration committee and audit committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The terms of reference of the four committees can be found on the Company's website through the link www.skyworth.com/investor. All of these committees are provided with sufficient resources to discharge their duties.

Executive Committee

An executive committee was established by the Board on 5 February 2005 (the "Executive Committee") with written terms of reference adopted on the same date. The Executive Committee currently comprises 13 members, including all EDs and several senior management personnel of the Company.

The Executive Committee has been delegated with powers from the Board to deal with matters of the Group. The authority and major duties of the Executive Committee are summarised as follows:

- to establish strategic planning and financial budgets for Board approval;
- to monitor daily business operations, including sales, productions, brand and product promotion and human resources capital, within the Group;
- to review and approve management reports;
- to evaluate investments opportunities for Board approval; and
- to monitor fund flows and evaluate cash management policies within the Group.

The Executive Committee held monthly meetings during the year ended 31 March 2008 to review, discuss and evaluate the monthly business performance and other business and operational matters of each major subsidiary within the Group.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board Committees *(continued)*

Nomination Committee

A nomination committee was set up under the auspices of the Board on 5 February 2005 (the "Nomination Committee") with written terms of reference adopted on 19 August 2005. The Nomination Committee currently comprises four members. The Chairman of the Nomination Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Leung Chi Ching, Frederick. Except for Mr. Leung Chi Ching, Frederick is an ED, the remaining three members are all INEDs.

The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- to assess the independence of INEDs; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

In considering the new appointment of Directors, the Nomination Committee makes reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

The Nomination Committee held two meetings during the year ended 31 March 2008. The meetings were held to review the composition of the Board and to review the terms of the service contracts of the Directors.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2008 is set out as follow:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. So Hon Cheung, Stephen *(Chairman)*	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Xie Zhengcai	2/2	100%
ED:		
Mr. Leung Chi Ching, Frederick	2/2	100%

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board Committees *(continued)*

Remuneration Committee

A remuneration committee was set up under the auspices of the Board on 5 February 2005 (the "Remuneration Committee") with written terms of reference adopted on 19 August 2005. The Remuneration Committee currently comprises four members. The Chairman of the Remuneration Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Leung Chi Ching, Frederick. Except for Mr. Leung Chi Ching, Frederick is an ED, the remaining three members are all INEDs.

The terms of reference of the Remuneration Committee are summarised as follows:

(1) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) to have the delegated responsibility to determine the specific remuneration packages of all EDs and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of INEDs. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(4) to review and approve the compensation payable to EDs and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(5) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(6) to ensure that no Director or any of his associates is involved in deciding his own remuneration and that, as regards the remuneration of an INED who is a member of the Remuneration Committee, his remuneration should be determined by the other members of the Remuneration Committee.

The Remuneration Committee held two meetings during the year ended 31 March 2008. The meetings were held to review the compensation and incentives package for the senior management of the Group, to review the amount of bonus payable to EDs and senior management by the Group for performance incentive payments for the year ended 31 March 2007, and to discuss the work plan for the Remuneration Committee in this financial year.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board Committees *(continued)*

Remuneration Committees *(continued)*

The attendance of individual members at the meetings of the Remuneration Committee held during the year ended 31 March 2008 is set out as follow:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. So Hon Cheung, Stephen *(Chairman)*	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Xie Zhengcai	2/2	100%
ED:		
Mr. Leung Chi Ching, Frederick	2/2	100%

Remuneration policy of the Group

The remuneration policy of the Group is designed to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options granted under the share option schemes of the Company. Details of the share option schemes of the Company are set out in note 36 to the consolidated financial statements.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience and performance of the Directors. They include incentive bonus primarily based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, or any of his associates and executive, is involved in deciding his own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience of individuals. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training, retention and recruitment programs, and encouraging staff for self development and improvements. The Group uses the "key performance indicators", a methodical system, to monitor and evaluate the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies by establishing a measurable benchmark.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board Committees *(continued)*

Remuneration Committee *(continued)*

Remuneration policy of the Group (continued)

The Board recognises that the future success of the Group depends on its ability to build up a team of high calibre professional managers as its human resource capital. The Group is fully committed to build up such human resource capital to enhance its assets for ensuring future growth.

The remuneration of the individual directors and the 5 highest paid individuals are set out in notes 14 and 15 to the consolidated financial statements.

Audit Committee

The audit committee was established by the Board since the initial listing of the Company's shares on Stock Exchange on 6 April 2000 (the "Audit Committee"). The Audit Committee comprises three INEDs. The Chairman of the Audit Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin and Mr. Xie Zhengcai.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised to comply with the Code. The terms of reference of the Audit Committee are available on the Company's website through the link: www.skyworth.com/investor.

The major duties of the Audit Committee are summarised as follows:

- to serve as a focal point for communication between Directors, the external auditors and the Head of Risk Management;
- to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and the effectiveness of the Group's internal control system; and
- to review the appointment of external auditors on an annual basis as well as to ensure continuing auditors' independence.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Board Committees *(continued)*

Audit Committee *(continued)*

During the year ended 31 March 2008, the Audit Committee held three meetings, all of which were held with the Chief Financial Officer and two of which were also held with the external auditors. The work performed by the Audit Committee during the year includes the following:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
- reviewed and commented on the annual report and interim report (including the consolidated financial statements contained therein) of the Company;
- discussed with the external auditors on significant findings from their audit or review of the Group's financial statements and related issues;
- discussed on the Company's corporate governance practices;
- discussed on the Group's internal audit plan with the Risk Management Department;
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial and operational controls; and
- consider and make recommendation to the Board on the engagement of external auditors and the estimated audit fee for the year ended 31 March 2008.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2008 is set out as follow:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. So Hon Cheung, Stephen *(Chairman)*	3/3	100%
Mr. Li Weibin	3/3	100%
Mr. Xie Zhengcai	3/3	100%

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control reviews, interim reviews and annual audits. These are the most efficient way in assessing the effectiveness of the Board in managing the business and affairs of the Group.

Financial reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Group for the year. In preparing the consolidated financial statements for the year ended 31 March 2008, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;
- made judgments and estimates that are prudent and reasonable, and ensure the consolidated financial statements are prepared on a going concern basis; and
- ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognises that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensible vision of the performance, position and prospects of the Group in all corporate communications.

Internal controls

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- achieve business objectives and safeguard assets against unauthorised use or disposition;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and manage rather than eliminate risks of failure in operational systems, and to ensure achievement of the Group's objectives.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit *(continued)*

Internal controls *(continued)*

Internal control framework

The internal control framework that the Board established in maintaining effective internal controls within the Group is as follows:

(1) Distinct organisational structure

To allow delegation of authority as well as to enhance accountability, a distinct organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Division/Department heads are involved in preparing the strategic plan and the operation plan based on the corporate strategies and annual operational and financial targets determined by the Board. Both the strategic plan and the annual operating plan laid down the foundation for the preparation of the annual budgets, which identify and prioritize business opportunities with reference to the resources allocation.

During the year ended 31 March 2008, the Group continued to implement a series of corporate reorganisation programmes in order to achieve a unit chain of command and improve the operation flow. With the continuous focus on the unit chain of command, the Group anticipates to attain better controls and effectively monitor the management, operational and financial processes.

(2) Comprehensive management reporting

A comprehensive management reporting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken, if necessary, to rectify the deficiencies noted. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.

(3) Regular risk assessment

Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and compliance risk that may have an impact on the business of the Group. The Risk Management Department evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit *(continued)*

Internal controls *(continued)*

Internal control framework (continued)

(4) Regulated cash/treasury management

The Group maintains a sound system and a clear authority limit to ensure daily cash/treasury operations meet the relevant policies and rules established by the Group.

(5) Regular reviews by Risk Management Department and Internal Audit Department

The Risk Management Department was established by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the system of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organisational goals and objectives by striving to provide a positive impact on:

- efficiency and effectiveness of operating functions;
- reliability of financial reporting;
- status of implementation and effectiveness of the internal control policies and procedures; and
- compliance with applicable laws and regulations.

The Risk Management Department also has a role to assist the Board and the Audit Committee to ensure that the Company maintains a sound system of internal controls by:

- reviewing all aspects of the Group's activities and internal controls with unrestricted right of access;
- conducting comprehensive audits of the practices and procedures of the Group;
- conducting comprehensive audits of income and expenditure, internal controls of all business units of the Group;
- conducting comprehensive audits of cash and operational management for various sales offices on a rotation basis with the support by the Internal Audit Department; and
- conducting special reviews and investigations of areas of concern identified by the Board or the management.

Corporate Governance Report

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit *(continued)*

Internal controls *(continued)*

Internal control framework (continued)

(5) Regular reviews by Risk Management Department and Internal Audit Department *(continued)*

The Head of Risk Management has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. The Head of Risk Management is invited to attend the Audit Committee meetings and has the right to bring appropriate matters identified during the course of the risk assessment and the internal audits to the attention of the Audit Committee. This reporting structure allows the Risk Management Department to maintain its independence and to have free access to all members of the Board.

During the year and up to the date of this report, the work performed by the Risk Management Department includes:

- follow up the rectification after the review and evaluation of the operational flow, in particular on the efficiency of supply chain management and production planning, of the TV business unit for China market;
- follow up the rectification after the review and evaluation of the stock take procedures, stock storage conditions and stock management of the Group;
- reviewed and evaluated the control procedures and custody of various company stamps;
- provided internal control articles in order to boost up the relevant knowledge and awareness on internal controls; and
- provided suggestion to enhance the information content of monthly reporting, in order to help the management to evaluate the relevant risk effectively.

The Internal Audit Department was established since 1996 mainly for examining and evaluating the operations and compliance status of the sales offices and branches in the mainland China TV business unit, which is the largest cash flow and revenue contributor of the Group. Besides, it also carry out special audits when senior employees leaving their positions either due to resignations or job rotations within the Group. Currently, the Internal Audit Department has over 30 staff, most of them continuously travel all over mainland China to perform their internal audit work.

During the year ended 31 March 2008, the Internal Audit Department issued 38 reports to the Board and senior management on its regular reviews of operations and compliance audits of the sales offices and branches. In addition, it issued 127 reports on senior employees leaving their positions.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit *(continued)*

Internal controls *(continued)*

Internal control framework (continued)

Internal audit plan

In March 2006, the Company, with the agreement of the Audit Committee, engaged an international accounting firm to perform an assessment of the governance processes of the Company and to perform an internal control review to identify and assess the critical risks that are reportable to the Company, and develop a three-year internal audit plan for separate evaluation on the mechanism of managing the risks identified. The work performed by the international accounting firm was completed and the corporate governance review report and risk assessment report and the three-year internal audit plan prepared by the firm (the "IA Plan") were issued to the Company in December 2006.

The IA Plan, which was approved for adoption in the year ended 31 March 2007 by the Audit Committee and the Board, was developed with reference to the significance and the likelihood of the risk identified. The Risk Management Department is committed to carry out internal audits in accordance with the IA Plan, with alternation to the plan as and when appropriate.

The IA plan would be finished for the year, the Risk Management Department, by considering current status and future development of the Group, would submit a new internal audit plan to the Audit Committee and the Board of Directors for their approval, in order to match with the business strategy.

Internal control review

During the year, the Board, through the work performed by the Risk Management Department, conducted a review on the system of internal controls in accordance with the IA Plan, which covers material controls, including financial, operational and compliance controls and risk management functions. The results of the review indicated that the system of internal controls of the Group is effective notwithstanding that there were some improvement opportunities identified. The Board would consider and evaluate those improvement opportunities identified by the Risk Management Department and make corresponding changes to the current system as and when appropriate. The Board would continue to review and improve the internal control system in fulfillment of business objective.

External auditors

The Group's external auditors are Deloitte Touche Tohmatsu. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. Up to the date of this report, the Audit Committee has considered and approved the engagement of Deloitte Touche Tohmatsu as auditors of the Group for the year ended 31 March 2008 and the corresponding audit fees estimation.

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Accountability and Audit *(continued)*

External auditors *(continued)*

The remuneration paid or payable by the Group to Deloitte Touche Tohmatsu in respect of their audit and other non-audit services for the year ended 31 March 2008 were as follows:

	For the year ended 31 March	
	2008	2007
Nature of services	**Amounts**	Amounts
	HK$'000	*HK$'000*
Audit service (including review of financial statements)	**8,180**	7,331
Tax related service	**56**	94
Total	**8,236**	7,425

Corporate Communication with Stakeholders

The Company has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, and the institutional and individual shareholders. The main features of the system are that:

- the Company maintains a website on which comprehensive information about the Group, including corporate structure, management profile, products and services provided, financial reports, public announcements and news of the Group, are disclosed;

- the Company establishes and maintains different communication channels with its stakeholders through the publication of annual and interim reports and press releases. To promote effective communication, the shareholders can obtain corporate communication electronically via the Company's corporate website www.skyworth.com;

- annual general meetings of the Company provide a useful forum for the shareholders to exchange views with the Board. The Chairman of the Board as well as chairmen of the Audit, Nomination and Remuneration Committees, or in their absence, members of the committees will be available to answer questions which may be raised by the shareholders;

- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;

- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders dispatched 21 days prior to the date of the relevant general meeting. The circular also includes relevant details of proposed resolutions;

KEY CORPORATE GOVERNANCE PRINCIPLES *(continued)*

Corporate Communication with Stakeholders *(continued)*

- the poll results are published on the website of Stock Exchange www.hkex.com.hk and on the Company's corporate website www.skyworth.com; and

- the Company publishes its own newspaper and magazine, which report up-to-date corporate strategy and business development of the Group, on a regular basis for internal circulation.

Directors and Senior Management Profiles

Rapid Growth Period (1996-2000)

As a private enterprise, agility mechanism and high efficiency paved the way for Skyworth to get the upper hand in the industry. During the period, Skyworth went forward to be one of the Top 4 TV manufacturing companies. Simultaneously, under the accelerating development to scale, the Group faced the capital, technological and human resource issues.

- 1998 – Ranked at the forth place in term of production/sales volume in the industry
- 1999 – Skyworth laboratory was established in Silicon Valley, U.S.A.
- 1999 – Started recruiting large numbers of excellent graduates from key universities
- 1999 – Ranked at the 20th place among the top hundred electronics enterprises in China
- 2000 – Listed on the main board of the Hong Kong Stock Exchange

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Zhang Xuebin, aged 45, is an executive director and the Chief Executive Officer of the Company, and has been elected by the Board to replace Mr. Wang Dianfu as the Executive Chairman with effect from 1 April 2007. He is also a director of certain subsidiaries of the Company. Mr. Zhang joined the Group in March 2001. He is responsible for overseeing the business operations of the Group and implementing the strategies and policies as determined by the Board from time to time. After his appointment as the Executive Chairman, Mr. Zhang is also responsible for the management of the Board, and the formulation of corporate strategy and future directions of the Group. Mr. Zhang graduated from Zhongnan University of Economics and Law in the PRC with a Bachelor degree in Accountancy and a Master degree in Economics. Mr. Zhang had worked for Hainan Coconut Palm Group Company Limited from March 1991 to February 2001 and was appointed as its General Manager in August 1997.

Save and except for the relationship with the Group, Mr. Zhang does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. Zhang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Directors and Senior Management Profiles

Ms. Ding Kai, aged 73, is an executive director of the Company and a director of certain subsidiaries of the Company, and the Chairperson of 深圳市創維群欣安防科技有限公司 ("群欣安防"), a jointly controlled entity of the Group. Ms. Ding joined the Group in 1988. She has over 40 years of experience in operations management in electronics companies and was qualified as a Senior Economist in the PRC. She is currently responsible for the daily strategic management of 群欣安防.

Ms. Ding is the mother of Mr. Hu Zhaohui, a senior management member of the Group. Save and except for the relationship mentioned above, Ms. Ding does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Ms. Ding has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Mr. Leung Chi Ching, Frederick, aged 50, is an executive Director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Leung joined the Group as Director of Finance on 20 December 2004 and has been re-designated as the Chief Financial Officer of the Company with effect from 8 January 2007. He is also a director and/or the company secretary of certain subsidiaries of the Company. Mr. Leung is mainly responsible for overseeing the finance functions, corporate governance matters and investor relationship management of the Group. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Hong Kong Securities Institute. Mr. Leung has over 20 years' experience in corporate finance, banking and accounting.

Save and except for the relationship with the Group, Mr. Leung does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. Leung has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Directors and Senior Management Profiles

Ms. Lin Wei Ping, aged 50, joined the Group in 1993 and is an executive director of the Company and a director of certain subsidiaries of the Company. She is currently the Vice President and the director of Skyworth Digital Group Limited, in-charge of the administration and human capital management of the Group. Prior to that, Ms. Lin was the Deputy Manager of the purchasing department and the Administration Manager in Hong Kong, primarily responsible for material purchasing from overseas market for the Group and administration and human capital management for certain companies within the Group. Ms. Lin graduated from South China University of Technology in the PRC with a Bachelor degree in Electronic Engineering. Before joining the Group, Ms. Lin had worked in the Ministry of Information Industry in the PRC as a research engineer.

Ms. Lin is the spouse of Mr. Wong Wang Sang, Stephen, who is a former non-executive director of the Company. Save and except for the relationship mentioned above, Ms. Lin does not have any other relationships with any other director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Mr. Yang Dongwen, aged 43, is an executive director and a director of certain subsidiaries of the Company. He is currently the President of Shenzhen Chuangwei-RGB Electronics Co., Ltd. and the television business unit of the Group, responsible for managing the research, manufacture and sales of the Group's television products in the PRC. Mr. Yang is also a Vice President and a director of Skyworth Digital Group Limited. Mr. Yang joined the Group in May 1988 as the Financial Controller of the finance headquarters in the PRC and from August 2000 to August 2003, he was the General Manager of the sales headquarters of the Group in the PRC and a Vice President of the Group. Mr. Yang left the Group in August 2003 for 2 years working for Oriental Yeyang Textile Co., Ltd. as President. He rejoined the Group in September 2005. Mr. Yang graduated from Zhongnan University of Economics and Laws in the PRC with a Bachelor degree in Economics and graduated from Nankai University in the PRC with a Master Degree in Law. He served as the director of the accountancy department and the associate professor of the School of Economics in Hainan University in the PRC in his early years. He was later the director of the Hainan Zhongda Certified Public Accountants firm.

Save and except for the relationship with the Group, Mr. Yang does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. Yang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Hon Cheung, Stephen, aged 52, is an independent non-executive director of the Company, and the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. So is a practicing accountant and is a director of the accounting firm T.M. Ho, So & Leung CPA Limited. Mr. So holds a Bachelor degree of Commerce from the University of British Columbia, Canada. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants, a member of the Chartered Institute of Management Accountants and a member of the Society of Certified Management Accountants of Canada. He is a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong in the PRC. Mr. So has extensive experience in the commercial sector of manufacturing, wholesale and trading in various companies in Hong Kong and Canada.

At present, Mr. So is also an independent non-executive director of several companies listed on The Stock Exchange of Hong Kong Limited, including Pine Technology Holdings Limited and Hang Ten Group Holdings Limited. Mr. So is a fellow member of the Hong Kong Institute of Directors and acts as the Director of Finance of Jetion Holdings Limited, a company listed at AIM, the United Kingdom.

Save and except for the relationship with the Company, Mr. So does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. So has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Directors and Senior Management Profiles

Mr. Li Weibin, aged 47, is an independent non-executive director of the Company, and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Li is a practicing solicitor in Hong Kong and is the founder and a senior partner of Li & Partners, a firm of solicitors in Hong Kong. He graduated from the China University of Political Science and Law in Beijing, the postgraduate school of the Chinese Academy of Social Sciences in Beijing and the University of Hong Kong with a Bachelor degree in Law, a Master Degree in Law and a Bachelor degree in Common Law respectively. Mr. Li is also admitted to practice law in the PRC, England and Wales and New York, the U.S.A. Mr. Li is a China-appointed attesting officer, a Visiting Professor in the China University of Political Science and Law and has worked in the legal field for 23 years.

Save and except for the relationship with the Company, Mr. Li does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 54 to 61 of this annual report.

Mr. Xie Zhengcai, aged 45, is an independent non-executive director of the Company, and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Xie graduated from Nanjing Normal University with a Bachelor degree in Science in 1983 and the Institute of Electronics of the Chinese Academy of Sciences with a Master degree in Industrial Studies in 1986. Mr. Xie had engaged in the research and development of flat display and optoelectronic technology. Mr. Xie was qualified as a senior engineer in the Ministry of Electronics Industry in 1997. Mr. Xie currently works in Shenzhen University and engages in the research of optoelectronics. Mr. Xie is a senior engineer of the Institute of Optoelectronics. He has won various laurels at the Ministry of Electronics Industry and in Jiangsu Province in the PRC.

Save and except for the relationship with the Company, Mr. Xie does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2008, Mr. Xie has no interest in the shares of the Company within the meaning of Part XV of the SFO.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

Mr. Cheng Kin Chung

Aged 46, joined the Group in 2004, and is the Chief Information and Investment Officer of the Company and a director of certain subsidiaries of the Company. Mr. Cheng graduated from The Hong Kong Polytechnic University with a Master degree in Professional Accounting. Prior to joining the Group, Mr. Cheng was a partner in an international accounting firm and also a business development director of the corporate finance arm of the same accounting firm.

Mr. Lu Rongchang

Aged 62, joined the Group in May 2006, and is the Chief Technical Officer of the Company, the Head of the Skyworth R&D Institute and the General Manager of the R&D Department of Shenzhen Chuangwei-RGB Electronics Co., Ltd. He is also a director of certain subsidiaries of the Company. Mr. Lu graduated from the Nanjing Institute of Technologies (now is called Southeast University) and is major in Automation Control. Prior to joining the Group, he had over 14 years working experience as General Manager and Chief Engineer for companies in television and communications industry, including Panda Electronics Group. Mr. Lu has achieved many national and provincial honors.

Mr. Liu Tangzhi

Aged 45, joined the Group in 1998, and is the General Manager of Skyworth China Sales Region and a director of certain subsidiaries of the Company. Mr. Liu graduated from the Zhongnan University of Economics and Law in Wuhan with a Bachelor degree in Economics, and graduated from Macao University of Science and Technology with a Master degree in Business Administration.

Directors and Senior Management Profiles

Mr. Kuang Yubin

Aged 41, joined the Group in February 2007 as the President of Skyworth Overseas Development Limited and 創維多媒體(深圳)有限公司. Currently, he is also a director of certain subsidiaries of the Company. Mr. Kuang graduated from Sun Yat-Sen University in Guangzhou, major in Business Management. Prior to joining the Group, he had over 15 years working experience as General Manager of TV Business, President and other management positions for companies in the television industry, including Konka Group Co., Ltd. and AKAI Electric (China) Co., Ltd., and had assisted those companies in attaining outstanding results.

Mr. Hu Zhaohui

Aged 38, joined the Group in January 2006, and is the General Manager of 深圳創維群欣安防科技有限公司 and a director of certain subsidiaries of the Company. Mr. Hu graduated from Xian University with a Bachelor degree in Electronic Science and Technology and graduated from Toyo University in Japan with a Master degree in Economics. Prior to joining the Group, he had worked for China Southern Fund Management Co., Ltd. and Shenzhen SEG Hitachi Color Display Devices Co., Ltd. Mr. Hu is the son of Ms. Ding Kai, the executive Director of the Company.

Mr. Wang Dehui

Aged 52, joined the Group in 2007, and is the General Manager of Manufacture Headquarters in Shenzhen Chuangwei-RGB Electronics Co., Ltd. and a director of certain subsidiaries of the Company. Mr. Wang graduated from the Jiangxi Institute of Technologies (now called Nanchang University) with a Bachelor degree in Mechanical Engineering and graduated from Renmin University of China in Master of Business Administration in 2003. Mr. Wang has dedicated to research moulds, injection moulding, spraying and machinery manufacturing industry for over 5 years. In 1996, he was awarded the title of senior engineer, has owned a number of national patent and national scientific and technological achievements.

Directors and Senior Management Profiles

Mr. Huang Ligui

Aged 31, joined the Group in July 1999 and acts as the Assistant to the President of Shenzhen Chuangwei-RGB Electronics Co., Ltd. and the Head of the supply chain management department, and is also a director of certain subsidiaries of the Company. Mr. Huang graduated from the Jilin University of Technology with a Bachelor degree in Electronic Engineering in July 1999 and graduated from Huazhong University of Science and Technology with a Master degree in Electronic Information System in 2005. Mr. Huang pursues his career in manufacturing management and operations management. He won various laurels of the Labor Model of National Information Industry System.

Mr. Guo Limin

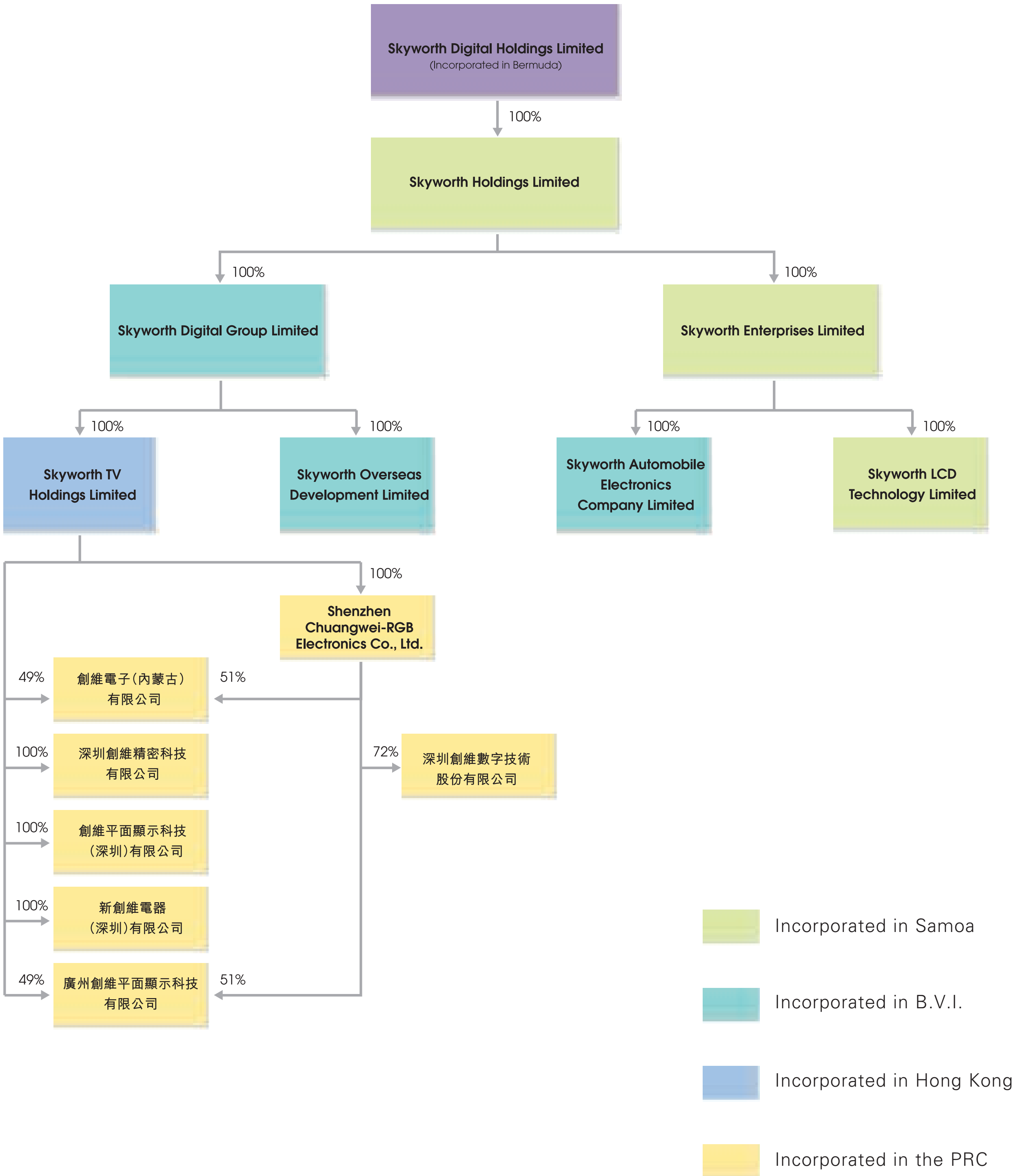
Aged 50, joined the Group in 1999 and is the assistant to the Chairman and the Chief Legal Counsel of the Company and also a director of certain subsidiaries of the Company. Mr. Guo graduated from the Southwest University of Political Science & Law with a Bachelor degree in Law. Before joining the Group, he had worked in the Southwest University of Political Science & Law. Mr. Guo has rich experience in the field of Legal affairs.

Ms. Zhou Tong

Aged 40, joined the Group in 2003 and acted as Branding Director and the first corporate spokeswoman of the Group. Then she acted as the Vice President of Skyworth Digital Technology (Shenzhen) Corp. Ltd. Now she is one of the board member of Skyworth Holdings Limited, the General Manager of Corporate Strategy & Partnership, and a director of certain subsidiaries of the Company. Ms. Zhou holds a Bachelor degree in Materials, and a Master degree in Business Administration. She has nearly 20 years of working experience in various business management areas a crossed auto parts, consumer electronics, and services industries. Her 15 years of services in senior and executive management positions such as enterprise strategy, investment, operation, process reengineering, marketing and brand management etc. have achieved constant outstanding business performances.

Corporate Structure

Simplified corporate structure diagram



Investor Relations

CONTINUOUS COMMUNICATION AND CONSISTENT MESSAGES

In the year ended 31 March 2008 (the "Reporting Year"), we continued to maintain our communication with stakeholders and reinforced our investor relations ("IR") programs even though the profitability of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (together with the Company, the "Group") decreased in the year ended 31 March 2007 (the "Previous Year"). We still took a proactive role even when communicating less favourable news to the market, such as the disposal of 80% of our equity interests in the mobile phone business and closing down of the small appliance business. These underperformed business units were appropriately dealt with to reduce the Group's further exposure to financial and operational risks.

During the Reporting Year, our Chairman and Chief Executive Officer continued to explain to the public his strategy to manage the Group through difficult times. Management is receptive to different opinions, and solicits wisdom and discusses challenges openly. We treasure every opportunity that helps us to improve ourselves and have been working hard to enhance the Group's reputation and build market valuation. We have never disappeared off the radar of the stakeholders. Gaining credibility and visibility for the Company has always been the top priority of our investor relations.

WIDENING THE SCOPE OF IR ACTIVITIES

Under-followed company has to do more than a routine. We reach out and differentiate ourselves from the general market scrum to impress target investors. In January 2008, we started to launch "Skyworth Spotlight" as a bi-monthly e-newsletter for distribution to our stakeholder database. The e-newsletter highlights the latest development of the Group as well as the consumer electronics industry. Shareholders and analysts have given this new communication mode a welcome.

In the Reporting Year, we identified institutional investors who are interested in small-cap companies and approached analysts who cover relevant industries or small company investments.

We also delivered IR messages to larger investment audiences through large scale investment conferences held in China and Japan by investment banks. Towards a wider level, we conducted non-deal roadshows in Europe and the United States to keep prospective investors in touch. We arranged stakeholders to visit our plants and our corporate headquarters located at Shenzhen from time to time. We wanted to make sure the IR calendar is effective to maintain a wider shareholder interest in the Company's shares in order to minimise shareholder churn during volatile time.

Investor Relations

PREPARE FOR THE FUTURE

Backing up by an outstanding performance in the Reporting Year and solid fundamentals, we are ready to put together a compelling story, an investment angle and a decent performance before a laser-sharp focus on the right financial audiences.

Our Executive Chairman and Chief Executive Officer is committed to build a high quality shareholder base. He continues to delegate the IR responsibility to our Chief Financial Officer. Other senior executives of our Group are also frequently involved in IR activities. We proactively approach analysts and fund managers who have a longer view on their investments. They are kept up to date even they cannot take a position of the Company's shares immediately. On the other hand, our existing shareholders are always invaluable to us. Keep on communicating with them is a must.

In the year ended 31 March 2009, we will start to conduct periodic investor perception studies to give investors and the sell side an opportunity to express their views on us which they might not convey to us directly. This program is designed to address the concerns of current and potential shareholders and give investors a chance to raise questions, obtain clarification when needed and make recommendations.

Investor Relations

CALENDAR OF MAJOR IR ACTIVITIES

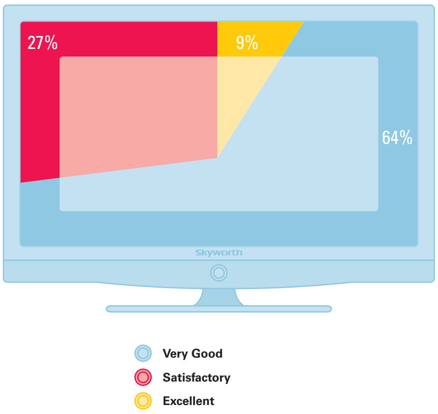
April 2007 – March 2008

Time	Events
July 2007	Announcement for the results of the year ended 31 March 2007 • *Analysts presentation and webcasting* • *Press conference* • *Investors luncheon organized by HSBC* • *Post-result Hong Kong roadshows arranged by CLSA Hong Kong* • *Investors group meetings organized by Daiwa Securities SMBC Hong Kong*
August 2007	Post annual results Singapore roadshow arranged by Daiwa Securities SMBC
September 2007	Annual general meeting for the year ended 31 March 2007
October 2007	• *Post annual results Europe roadshow arranged by Daiwa Securities SMBC Europe (Frankfurt – Geneva – Milan – London – Paris)* • *Post annual results United States roadshow arranged by Daiwa Securities America (New York – New Jersey – Connecticut area)* • *BNP Paribas Securities Asia 14th Annual China Conference in Xiamen, China* • *Post annual results Tokyo roadshow arranged by Daiwa Securities SMBC*
November 2007	Investors & media plant visits
December 2007	Announcement for the interim results for the six months ended 30 September 2007 • *Analysts presentation and webcasting* • *Press conference* • *Investors luncheon organized by Credit Suisse Hong Kong*
January 2008	• *Post-result Hong Kong roadshows* • *Deutsche Bank Access China Conference at Beijing*
February 2008	Daiwa Securities SMBC Tokyo Investment Conference

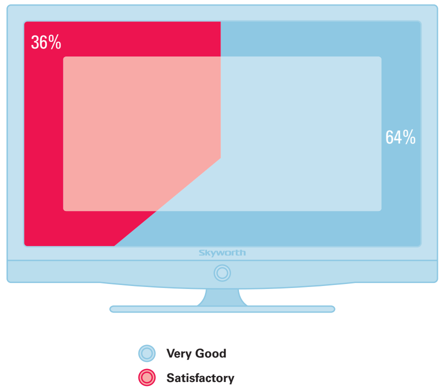
Investor Relations

Feedback summary from investors in non-deal roadshows in Europe (1-5 October, 2007)

Overall Impression

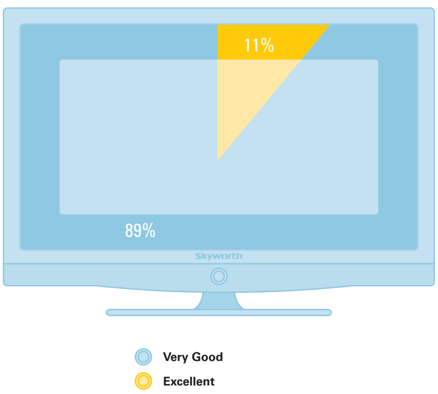


Presentation Materials



Feedback summary from investors in non-deal roadshows the US (8-10 October, 2007)

Overall Impression



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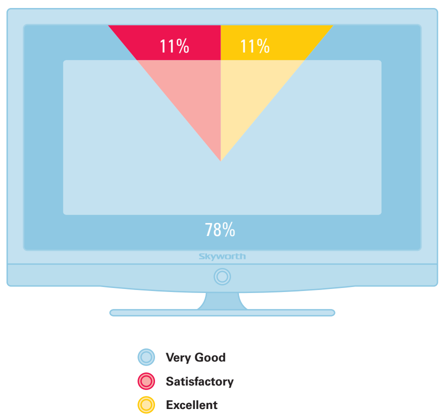
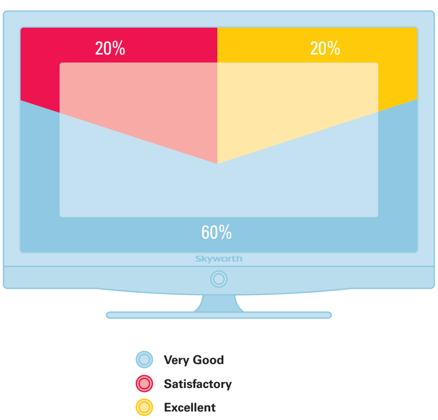


Feedback summary from investors in non-deal roadshows in Tokyo (24 October, 2007)

Overall Impression



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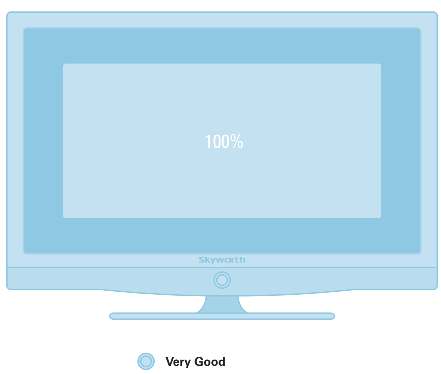
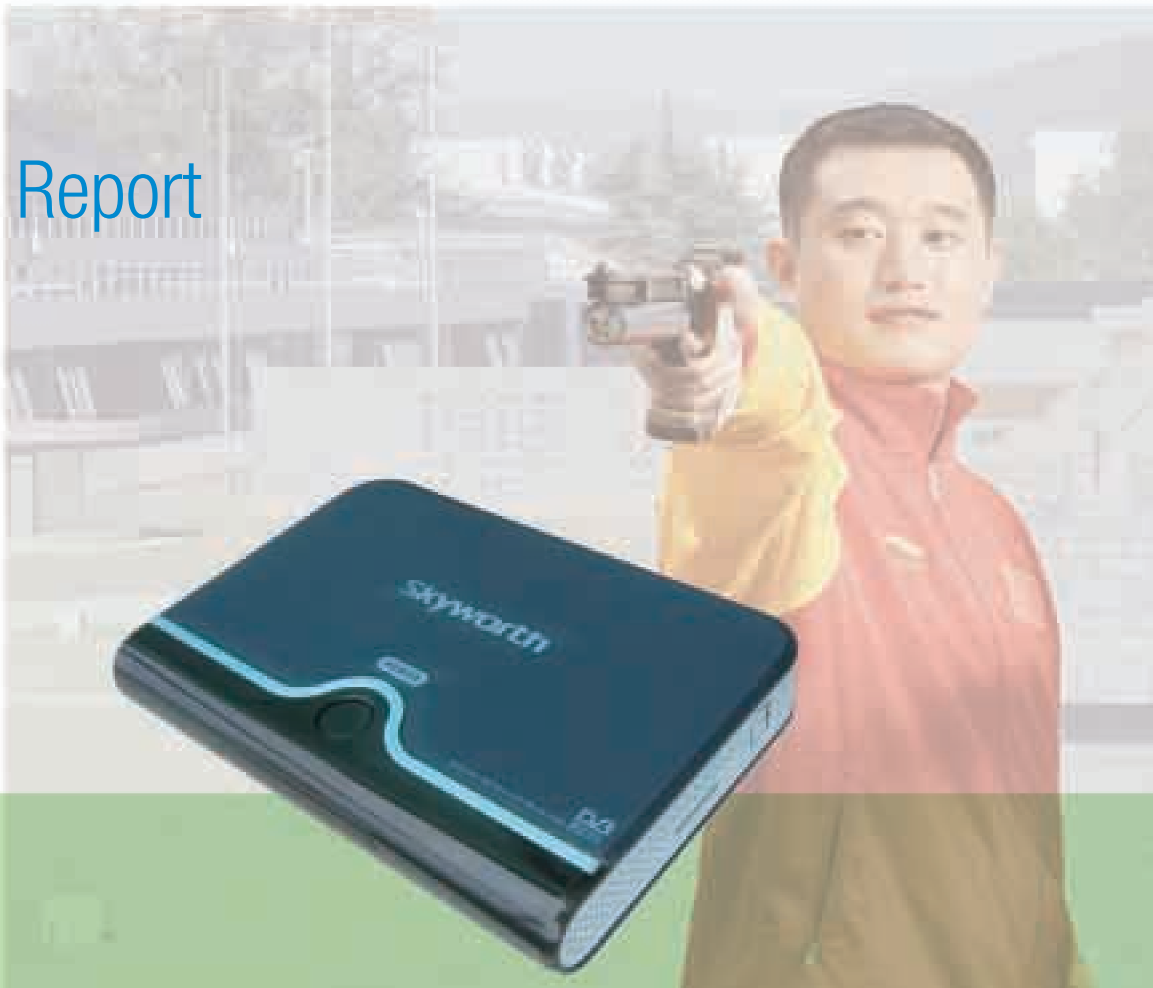


Directors' Report



Transformation Period (2000-2004)

After IPO, the Group underwent a metamorphosis. Price war of color television, corporate governance and career manager became the critical concerns of the Group. Therefore, the management began to transform from experience type to empirical experience compounding type of knowledge, from individualism to team spirit focused. Skyworth management began to enter into a career manager team period.

(1) Governance renovation: segregation of duties and risk control
- 2001 – fine tuning composition of board of directors, establishment of operation management committee
- 2001 – establishment of TV business unit, organizational restructuring, promotion of system efficiency
- system built-up, work flow reengineering and regulated operation

(2) Marketing mechanism revolution: enhance the distribution and profitability
- 2000 – from agency system to distribution system
- 2001 – establishment of sales network and terminals
- Market-oriented research and development

(3) Built-up career manager system
- 2001 – segregation of duties (role positioning between owner and career managers)
- 2003 – share option and profit sharing scheme
- 2004 – batch promotion of young talents to management level

(4) Corporate culture development

The construction of the corporate culture makes cohesiveness capacity promoting, and has become one of the key competitiveness of the Group. In 2004, Skyworth firstly defined its objective, mission, vision and values.

Directors' Report

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and jointly controlled entities are the manufacture and sales of consumer electronic products and upstream accessories, and property holding, details of which are set out in notes 45 and 20 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 67 of the annual report.

An interim dividend of HK0.5 cent (2007: HK0.5 cent) per share amounting to HK$11 million was paid to the shareholders on 6 February 2008. The Directors now recommend the payment of a final dividend of HK4.5 cents (2007: HK1.2 cents) per share to the shareholders on the register of members of the Company on 29 September 2008, estimated to be HK$103 million, and the retention of the remaining profit in reserves.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 144 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was less than 30% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 37% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 24% of the total purchases.

None of the Directors, their associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group further incurred approximately HK$90 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately HK$47 million for the expansion of existing and setting up new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2008 amounted to approximately HK$1,727 million (2007: HK$986 million).

DONATIONS

During the year, the Group made cash charitable donations amounting to approximately HK$1 million.

DIRECTORS

The Directors of the Company for the year and up to the date of this report were:

Executive directors:
Zhang Xuebin *(Executive Chairman & Chief Executive Officer)*
Ding Kai
Leung Chi Ching, Frederick
Lin Wei Ping
Yang Dongwen

Independent non-executive directors:
So Hon Cheung, Stephen
Li Weibin
Xie Zhengcai

In accordance with Clauses 86 and 87 of the Company's bye-laws, Mr. Zhang Xuebin, Ms. Lin Wei Ping and Mr. Yang Dongwen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other Directors continue in office.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out in pages 36 to 44 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of two or three years. These service contracts remain valid unless terminated for causes or by either party giving at least three months' written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee of the Company from time to time, with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on pages 18 to 35.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 43 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2008, the interests of the Directors and of their associates in the shares, share options and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Ordinary shares of HK$0.1 each of the Company

As at 31 March 2008, certain Directors of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity		Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lin Wei Ping	Beneficial owner		3,061,611	0.13%
	Held by trust	*(Note a)*	847,382,922	36.96%
	Held by spouse	*(Note b)*	55,121,612	2.40%
		(Note c)	905,566,145	39.50%
Ding Kai	Beneficial owner		11,000,000	0.48%
Yang Dongwen	Beneficial owner		4,600,000	0.20%
Zhang Xuebin	Beneficial owner		4,200,600	0.18%
So Hon Cheung, Stephen	Beneficial owner		100,000	0.00%

Note a: These shares are held by Target Success Group Limited in its capacity as trustee of the Skysource Unit Trust, all of the units in which are owned by the Skysource Trust. Ms. Lin Wei Ping and her children are the discretionary beneficiaries of the Skysource Trust. Accordingly, Ms. Lin Wei Ping is deemed to be interested in 847,382,922 ordinary shares of the Company.

Note b: Ms. Lin Wei Ping is deemed to be interested in 55,121,612 ordinary shares of the Company, being the interests held beneficially by her spouse, Mr. Wong Wang Sang, Stephen.

Note c: Mr. Wong Wang Sang, Stephen is deemed to be interested in 905,566,145 ordinary shares of the Company, being the interests held by his spouse, Ms. Lin Wei Ping.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company

(i) Particulars of the share option schemes of the Company (including certain defined terms used below) are set out in note 36 to the consolidated financial statements.

(ii) As at 31 March 2008, certain Directors of the Company had interests in the share options granted under the Company's share option schemes as follows:

Name of director	Capacity	Number of share options held/underlying shares of the Company
Zhang Xuebin	Beneficial owner	31,000,000
Yang Dongwen	Beneficial owner	25,000,000
Ding Kai	Beneficial owner	7,000,000
So Hon Cheung, Stephen	Beneficial owner	1,000,000
Li Weibin	Beneficial owner	1,000,000
Lin Wei Ping	Beneficial owner	2,000,000
Leung Chi Ching, Frederick	Beneficial owner	6,000,000
		73,000,000

(iii) The particulars of share options granted to the Directors of the Company and the movement during the year were as follows:

Under New Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2007	Granted during the period *(Note)*	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors:								
Zhang Xuebin								
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	2,000,000	–	–	–	2,000,000
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	–	–	–	2,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	–	–	–	2,000,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2007	Granted during the period *(Note)*	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors: *(continued)*								
Zhang Xuebin								
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	1,500,000	–	–	–	1,500,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	1,500,000	–	–	–	1,500,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	2,000,000	–	–	–	2,000,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	5,000,000	–	–	–	5,000,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	5,000,000	–	–	–	5,000,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	2,500,000	–	–	2,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	2,500,000	–	–	2,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	2,500,000	–	–	2,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	2,500,000	–	–	2,500,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2007	Granted during the period (Note)	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors: *(continued)*								
Yang Dongwen								
5 October 2002	0.840	5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	–	–	–	2,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	–	–	–	2,000,000
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	3,750,000	–	–	–	3,750,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	3,750,000	–	–	–	3,750,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	3,750,000	–	–	–	3,750,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,750,000	–	–	–	3,750,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	1,500,000	–	–	1,500,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company *(continued)*

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the period *(Note)*	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors: *(continued)*								
Ding Kai								
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	–	–	–	250,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	1,500,000	–	–	1,500,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company *(continued)*

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the period (Note)	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors: *(continued)*								
So Hon Cheung, Stephen								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	–	–	–	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	–	125,000	–	–	125,000
Lin Wei Ping								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	500,000	–	–	500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	500,000	–	–	500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	500,000	–	–	500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	500,000	–	–	500,000

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

(b) Share options of the Company *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2007	Granted during the period (Note)	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2008
Directors: *(continued)*								
Li Weibin								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	–	–	–	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	–	125,000	–	–	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	–	125,000	–	–	125,000
Leung Chi Ching, Frederick								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	1,500,000	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	1,500,000	–	–	1,500,000
				42,000,000	31,000,000	–	–	73,000,000

Note: Following share options were granted by the Company during the year ended 31 March 2008:

(i) 50,000,000 share options were granted to eligible persons as defined in the New Scheme (The closing share price of the Company's shares on 10 May 2007, the trading day preceding the date of grant of the said share options, were HK$1.04); and

(ii) 3,350,000 share options were granted to eligible persons as defined in the New Scheme (The closing share price of the Company's shares on 31 January 2008, the trading day preceding the date of grant of the said share options, were HK$0.83).

Other than the options stated above, no options had been granted by the Company to the other participants pursuant to the New Scheme during the year ended 31 March 2008.

(iv) The particulars of share options granted to the eligible persons (including directors and employees) and the movement during the year are set out in note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(continued)*

Save as disclosed above, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, share options or underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2008.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBETURES

Other than the interests in share options of the Company disclosed above, and in the share option scheme disclosed in note 36 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives, or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate, and none of them had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 March 2008.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, no other contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity		Number of issued ordinary shares held – long positions	Percentage of the issued share capital of the Company
Target Success Group Limited	Trustee	*(Note a)*	847,382,922	36.96%
HSBC International Trustee Limited	Trustee	*(Note b)*	847,382,922	36.96%
Wong Wang Sang, Stephen	Beneficial owner		55,121,612	2.40%
	Held by spouse	*(Note c)*	850,444,533	37.09%
			905,566,145	39.50%
Winnington Capital Limited			229,592,000	10.01%

Note a: Target Success Group Limited held the shares of the Company in the capacity as trustee of the Skysource Unit Trust, all of the units in which are held by HSBC International Trustee Limited in its capacity as trustee of the Skysource Trust.

Note b: HSBC International Trustee Limited is deemed to be interested in 847,382,922 ordinary shares of the Company as it is the trustee of the Skysource Trust.

Note c: Mr. Wong Wang Sang, Stephen, is deemed to be interested in 850,444,533 being the interests held by his spouse, Ms. Lin Wei Ping (847,382,922 shares held by Target Success Group Limited and 3,061,611 shares held by herself).

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions held by any other person in the share or share options of the Company as at 31 March 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirement of the Listing Rules throughout the year ended 31 March 2008.

Directors' Report

SUBSEQUENT EVENTS

Details of subsequent events of the Group are set out in note 42 to the consolidated financial statements.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2008 have been audited by Messrs. Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Zhang Xuebin
Executive Chairman and
Chief Executive Officer
23 July 2008

Independent Auditor's Report & Financial Information

Second Business Creation Period (After 2004)

The 11.30 Incident in 2004 did not strike down Skyworth but made the Skyworth team more united and stronger. After all the difficult times, the Group is still on sustainable growth and reconsolidation.

- 2004: "11.30 Incident"
- 2005: Reorganization of the board of directors, set-up of independent committee
- 2006: Establishment of two new manufacturing bases (Shiyan, Inner Mongolia)
- 2006: Keeping technology and market leading place in the flat panel era

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
SKYWORTH DIGITAL HOLDINGS LIMITED
創維數碼控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 143, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

Amounts expressed in HK$ million (except for earnings per share data)

	Notes	**2008**	2007
Turnover	*7*	**13,939**	12,560
Cost of sales		**(10,955)**	(10,537)
Gross profit		**2,984**	2,023
Other income	*9*	**189**	97
Exchange gains		**191**	47
Selling and distribution expenses		**(1,969)**	(1,610)
General and administrative expenses		**(488)**	(419)
Change in fair value of derivative financial instruments		**(100)**	–
Impairment loss recognised in respect of available-for-sale investments		**(9)**	(3)
Impairment losses and provision for onerous contracts	*13*	**(153)**	23
Finance costs	*10*	**(122)**	(19)
Gain on disposal of partial interest of a subsidiary	*11*	**60**	–
Share of results of jointly controlled entities		**18**	8
Profit before taxation		**601**	147
Income taxes	*12*	**(121)**	(19)
Profit for the year	*13*	**480**	128
Attributable to:			
Equity holders of the Company		**457**	128
Minority interests		**23**	–
		480	128
Dividends			
Paid	*16*	**39**	75
Proposed	*16*	**103**	28
Earnings per share (expressed in HK cents)			
Basic	*17*	**19.95**	5.59
Diluted	*17*	**19.87**	5.57

Consolidated Balance Sheet

At 31 March 2008

Amounts expressed in HK$ million

	Notes	2008	2007
Non-current assets			
Property, plant and equipment	18	**1,282**	1,123
Prepaid lease payments on land use rights	19	**227**	102
Interests in jointly controlled entities	20	**59**	42
Available-for-sale investments	21	**39**	32
Prepayment		**27**	–
Deferred tax assets	22	**7**	2
		1,641	1,301
Current assets			
Inventories	23	**1,913**	1,573
Prepaid lease payments on land use rights	19	**5**	2
Trade and other receivables	24	**1,808**	1,034
Bills receivable	25	**4,403**	3,847
Amounts due from minority shareholders	26	**12**	–
Amounts due from jointly controlled entities	26	**29**	11
Pledged bank deposits	27	**1,870**	65
Bank balances and cash	27	**1,389**	826
		11,429	7,358
Current liabilities			
Trade and other payables	28	**5,171**	4,212
Bills payable	29	**105**	32
Obligation arising from put option written to minority interests	11	**156**	–
Derivative financial instruments	30	**106**	–
Provision for warranty and onerous contracts	31	**102**	42
Amounts due to jointly controlled entities	32	**1**	1
Tax liabilities		**105**	68
Secured bank borrowings	33	**3,052**	611
Deferred income	34	**59**	52
		8,857	5,018
Net current assets		**2,572**	2,340
Total assets less current liabilities		**4,213**	3,641
Non-current liabilities			
Provision for warranty	31	**33**	19
Secured bank borrowings	33	**83**	323
Deferred income	34	**102**	28
Deferred tax liabilities	22	**43**	8
		261	378
NET ASSETS		**3,952**	3,263

Consolidated Balance Sheet

At 31 March 2008

Amounts expressed in HK$ million

	Notes	**2008**	2007
Capital and Reserves			
Share capital	*35*	**229**	229
Share premium		**1,196**	1,194
Share option reserve		**73**	59
Investment revaluation reserve		**13**	5
Surplus account		**38**	38
Capital reserve		**178**	76
Exchange reserve		**408**	165
Accumulated profits		**1,813**	1,497
Equity attributable to equity holders of the Company		**3,948**	3,263
Minority interests		**4**	–
		3,952	3,263

The consolidated financial statements on pages 67 to 143 were approved and authorised for issue by the Board of Directors on 23 July 2008 and are signed on its behalf by:

Zhang Xuebin
Director

Leung Chi Ching, Frederick
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

Amounts expressed in HK$ million

	Attributable to equity holders of the Company										
	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Surplus account *(note a)*	Capital reserve *(note b)*	Exchange reserve	Accumulated profits	Total	Minority interests	Total
Balance at 1 April 2006	228	1,192	53	5	102	43	59	1,406	3,088	–	3,088
Exchange differences arising on translation to Group's presentation currency	–	–	–	–	–	–	114	–	114	–	114
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(8)	–	(8)	–	(8)
Income recognised directly in equity	–	–	–	–	–	–	106	–	106	–	106
Profit for the year	–	–	–	–	–	–	–	128	128	–	128
Total recognised profit for the year	–	–	–	–	–	–	106	128	234	–	234
Recognition of equity-settled share based payments	–	–	13	–	–	–	–	–	13	–	13
Forfeiture of share options	–	–	(7)	–	–	–	–	7	–	–	–
Transfer to capital reserve	–	–	–	–	–	33	–	(33)	–	–	–
Issue of shares under share option schemes	1	2	–	–	–	–	–	–	3	–	3
Dividends paid *(Note 16)*	–	–	–	–	(64)	–	–	(11)	(75)	–	(75)
Balance at 31 March 2007	229	1,194	59	5	38	76	165	1,497	3,263	–	3,263
Surplus on revaluation of available-for-sale investments	–	–	–	8	–	–	–	–	8	–	8
Exchange differences arising on translation to Group's presentation currency	–	–	–	–	–	–	272	–	272	5	277
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(29)	–	(29)	–	(29)
Income recognised directly in equity	–	–	–	8	–	–	243	–	251	5	256
Profit for the year	–	–	–	–	–	–	–	457	457	23	480
Total recognised profit for the year	–	–	–	8	–	–	243	457	708	28	736
Recognition of equity-settled share based payments	–	–	14	–	–	–	–	–	14	–	14
Transfer to capital reserve	–	–	–	–	–	102	–	(102)	–	–	–
Issue of share under share option scheme	–	2	–	–	–	–	–	–	2	–	2
Dividend paid *(Note 16)*	–	–	–	–	–	–	–	(39)	(39)	–	(39)
Obligation arising from put option *(Note 11)*	–	–	–	–	–	–	–	–	–	(156)	(156)
Put options written to minority shareholders *(Note 11)*	–	–	–	–	–	–	–	–	–	66	66
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	66	66
Balance at 31 March 2008	229	1,196	73	13	38	178	408	1,813	3,948	4	3,952

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008
Amounts expressed in HK$ million

Notes:

(a) Surplus account as at 31 March 2008 represented the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Skyworth Digital Group Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000 ("Group Reorganisation"). The payment of final dividend of HK$64 million for the year ended 31 March 2006 was made from the surplus account which was approved by the shareholders in the annual general meeting of the Company held on 28 September 2006.

(b) Capital reserve as at 31 March 2008 represented The People's Republic of China (the "PRC") statutory reserves of HK$178 million (2007: HK$76 million). Pursuant to the relevant PRC regulations and the Articles of Association of the PRC subsidiaries of the Group, each of the PRC subsidiaries is required to transfer not less than 10% of its profits after tax to statutory reserve (capital reserve) as reserve funds until the aggregated amount has reached 50% of its registered capital.

Consolidated Cash Flow Statement

For the year ended 31 March 2008
Amounts expressed in HK$ million

	2008	2007
OPERATING ACTIVITIES		
Profit before taxation	**601**	147
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	**4**	1
Change in fair value of derivative financial instruments	**100**	–
Depreciation and amortisation of property, plant and equipment	**159**	135
Dividend income	**(9)**	(2)
Finance costs	**122**	19
Gain on disposal of partial interest of a subsidiary	**(60)**	–
Impairment loss recognised in respect of available-for-sale investments	**9**	3
Impairment loss on trade receivables	**34**	6
Interest income	**(42)**	(9)
Loss on disposal of property, plant and equipment	**7**	6
Provision on onerous contracts	**52**	–
Provision for warranty	**77**	55
Share-based payment expenses	**18**	13
Share of results of jointly controlled entities	**(18)**	(8)
Write-down (write-back) of inventories	**67**	(29)
Operating cash flows before movements in working capital	**1,121**	337
(Increase) decrease in inventories	**(334)**	133
Increase in trade and other receivables	**(650)**	(259)
Increase in bills receivable	**(161)**	(666)
(Increase) decrease in amounts due from jointly controlled entities	**(18)**	1
Decrease in held-for-trading investments	**–**	24
Increase in trade and other payables	**545**	250
Increase in bills payable	**73**	24
Increase in deferred income	**81**	31
Cash from (used in) operations	**657**	(125)
Hong Kong Profits Tax refunded	**–**	3
PRC income tax paid	**(85)**	(40)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**572**	(162)
INVESTING ACTIVITIES		
Dividend received	**9**	2
Interest received	**15**	9
Purchase of property, plant and equipment	**(219)**	(335)
Purchase of prepaid lease payments on land use rights	**(121)**	–
Proceeds on disposal of property, plant and equipment	**1**	2
Proceeds on disposal of partial interest of a subsidiary	**144**	–
Cash investment in jointly controlled entities	**–**	(9)
Purchase of available-for-sale investments	**(5)**	(1)
Increase in pledged bank deposits	**(1,805)**	(27)
NET CASH USED IN INVESTING ACTIVITIES	**(1,981)**	(359)

Consolidated Cash Flow Statement

For the year ended 31 March 2008
Amounts expressed in HK$ million

	2008	2007
FINANCING ACTIVITIES		
Interest paid	**(78)**	(28)
Dividends paid	**(39)**	(75)
Issue of shares for cash	**2**	3
Repayment of mortgage loans	**(1)**	(2)
New bank loans	**1,856**	152
Net funds arisen from discounted bills with recourse	**141**	439
NET CASH FROM FINANCING ACTIVITIES	**1,881**	489
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**472**	(32)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**826**	760
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**91**	98
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,389**	826

Notes to the Consolidated Financial Statements

For the year ended 31 March 2008

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Group are the manufacture and sales of consumer electronic products and upstream accessories, and property holding. Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 45 and 20 respectively.

The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information of the annual report.

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi. The consolidated financial statements are presented in Hong Kong dollars to facilitate analysis of financial information.

2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on or after 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – INT 8	Scope of HKFRS 2
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not yet early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Revised)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – INT 12	Service Concession Arrangements[3]
HK (IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for financial period commencing on or after 1 January 2009
2 Effective for financial period commencing on or after 1 July 2009
3 Effective for financial period commencing on or after 1 January 2008
4 Effective for financial period commencing on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinances.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

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

For properties comprise a portion that is held to earn rentals and another significant portion that is held for use in the production or supply of goods or for administration purposes, the portion of properties rent out under operating lease which cannot be sold out separately (or cannot be leased out separately under a finance lease) is accounted for as property, plant and equipment.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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 until the completion of construction. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the items) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments on land use rights

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interests in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Inventories

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

Impairment loss on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 loss is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset and a financial liability shall not be offset and the gross amount presented in the consolidated balance sheet unless the Group (a) currently has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

The Group's financial assets are classified into either loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, amounts due from minority shareholders, amounts due from jointly controlled entities and bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through income statement, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods (see accounting policy on impairment of financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method (continued)

Financial liabilities, including trade and other payables, bills payable, amounts due to jointly controlled entities and secured bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Obligation arising from put option on shares of a subsidiary written to minority interests

Put option written to minority interests, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised to profit or loss.

Put options written to minority interests, which will be settled by the exchange of fixed amount of cash for a fixed number of shares in a subsidiary are classified as an equity instrument. The put options are initially recognised at fair value and stated in minority interest. No gain or loss is recognised in income statement upon exercise or expiration of the put option. Where the put options remain unexercised at the expiry date, the balance stated in minority interests will be released to accumulated profits.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the minority interests. In subsequent periods, the liability for the share redemption amount is measured at amortisation cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risk and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit and loss.

Provisions

Provisions for warranty are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions for warranty are measured at the directors' best estimate of the warranty expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Onerous contracts represent purchase contract for certain business where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions for onerous contracts are calculated based on the difference between the unavoidable sales proceeds receivable by the Group and those payable by the Group under the contracts, together with any compensation or penalties arising from failure to fulfill the contracts. The present obligation under the contract is recognised and measured as payable in the consolidated balance sheet.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development expenditure

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, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss, in the period in which the foreign operation is disposed of.

Taxation

Income taxes represent 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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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 interests 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, 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 schemes contributions

Payments to the Group's defined contribution retirement benefit plans, including state-managed retirement schemes and mandatory provident fund schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

For share options granted to the directors and employees of the Group, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).

At the balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

For the shares of the Group's subsidiary sold to employees of the Group at a consideration below its fair value, the fair value of services to be received is determined by the excess of the fair value of the shares disposed of over the consideration received and is initially recognised as prepayment in the balance sheet. The prepayment is expensed on a straight-line basis over the service period to be provided by the employees.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The consolidated financial statements are prepared in accordance with the Group's accounting policies as described in note 3. In connection with the preparation of the Group's consolidated financial statements, the management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosure. Based on historical experience, current trends and other factors, the management makes assumptions and best estimates which are relevant at the time when the consolidated financial statements are prepared. Management believes that the following assumptions and accounting estimates are the most critical to aid in fully understanding and evaluating the results of the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying the entity's accounting policies *(continued)*

Disposal of partial interests in a subsidiary

As disclosed in note 11, the disposal of partial interests to employees and independent third parties includes certain put options written to these purchasers for buy back of shares within certain period in future. The directors were required to consider whether it was appropriate to recognise the gain on disposal of HK$60 million in current year or whether it was more appropriate to defer the recognition until the put options were expired.

In making their judgement, the directors considered the criteria for the recognition of the gain on disposal, that is whether the Group has transferred to the purchasers the significant risks and rewards of ownership of the shares. Following the detailed review of the relevant terms of the shareholders' agreements and constitutional documents of the subsidiary as well as review of the transaction substance as a whole, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the gain on disposal in the current year is appropriate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

Inventories are stated at the lower of cost and net realisable value. At 31 March 2008, allowance of HK$67 million (2007: write-back HK$29 million) is made to write down the cost of inventories to their net realisable values. The amount of allowance contains uncertainties because the assessment of net realisable values of inventories requires management to make assumptions and to apply judgement regarding forecast consumer demand, the promotional environment, inventory aging, subsequent sales information and technological obsolescence. There is no reason to believe that there will be a material change in the future estimates or assumptions which are used in the assessment of net realisable values of inventories. However, if estimates regarding consumer demand are inaccurate and changes in technology affect demand for certain products in an unforeseen manner, allowance for inventories may increase or decrease accordingly.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of trade receivables

Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. At 31 March 2008, impairment loss of HK$34 million (2007: HK$6 million) is made on trade receivables. The impairment loss calculations contain uncertainties because management is required to make assumptions and to apply judgement regarding historical settlement experience, debt aging, financial status of customers and general economic conditions. There is no reason to believe that there will be a material change in the future estimates or assumptions which are used in the calculations of impairment loss of trade receivables. However, when the actual outcome or expectation in future is different from the original estimates, the carrying value of trade receivables and impairment loss may change.

Provision for warranty

Being an industrial practice, the Group provides three years product warranty to its customers depending on product type, under which faulty products are repaired or replaced. For the year ended 31 March 2008, provision for warranty of HK$77 million (2007: HK$55 million) is made for the products sold during the year. The amount of the provision for the warranty contains uncertainties because it requires management to make assumptions and to apply judgement regarding past defective rate of products sold. As the Group continues to develop new technologies and upgrade its product quality, it is possible that the past defective rate of products is not a good indicator of future claims by customers in respect of past sales. Any increase or decrease in the actual claims will affect profit or loss in future years.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes secured bank borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$ million	2007 HK$ million
Financial assets:		
Loans and receivables at amortised cost (including cash and cash equivalents)	**9,152**	5,521
Available-for-sale financial assets	**39**	32
Financial liabilities:		
Liabilities at amortised cost	**8,095**	4,797
Derivative financial instruments	**106**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, bank deposits and balances, trade and other payables, bills payable, obligation arising from put option written to minority interests, derivative financial instruments and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate and interest rate.

(i) Currency risk

The Group's sales in the PRC represents over 88% of the Group's total turnover. All of these sales are conducted in China. The Group needs to convert revenue in Renminbi into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although Renminbi is not a freely convertible currency, the Group did not experience any difficulties in such conversion to meet operational requirements.

The Group's borrowings are predominantly denominated in United States Dollars ("US$") and Renminbi ("RMB"). The Group generally endeavors to naturally hedge the foreign currency assets of the overseas subsidiaries by having the subsidiaries to arrange borrowings in their local currencies, whenever appropriate. The Group currently has entered into foreign currency forward contracts, however they do not qualify for hedge accounting, therefore, they are deemed as financial assets or financial liabilities held for trading.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding bank borrowings denominated in US$ and foreign currency forward contracts as disclosed in note 30, at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
US$	**465**	251	**643**	224
HK$	**50**	60	**42**	20

As disclosed in note 30, the principal amounts and maturity terms of the foreign currency loans and forward contracts are similar, the net exchange gain or loss arising from these instruments is not significant. Accordingly, management decided to exclude in its consideration of the currency risk analysis.

Currency risk sensitivity analysis

The Group mainly exposes to fluctuation against foreign currencies of US$ and HK$. The following table only details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against Renminbi. 5% is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items excluding certain foreign currency loans and the relevant foreign exchange forward contracts as disclosed above and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, bank deposits and balances, trade and other payables, bills payable as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ or HK$ weakening 5% against RMB. For a 5% strengthen of US$ or HK$ against RMB, there would be an equal and opposite impact on the profit for the year.

	Profit for the year	
	2008	2007
	HK$ million	*HK$ million*
US$ against RMB	**8**	(1)
HK$ against RMB	**–**	(2)

In management's opinion, the sensitivity analysis is unpresentative of the foreign exchange risk inherent in the financial assets and liabilities as the year end exposure does not represent the exposure during the year.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate bank borrowings (see note 33 for details of the borrowings).

The Group is also exposed to cash flow interest rate risk as certain of its secured bank borrowings are subject to floating interest rates (see note 33 for details of the borrowings). It is the Group's policy to keep majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly related to the fluctuation of market interest rate against the Group's Renminbi denominated borrowings.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for secured bank borrowings at the balance sheet date and assumed the amounts outstanding at the balance sheet date were outstanding for the whole year and held constant throughout the financial year. If interest rates on interest bearing bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the profit for the year would decrease/increase by approximately HK$2 million (2007: HK$2 million).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts, including to secure a third party guarantee. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2008, the Group has available unutilised bank borrowing facilities of approximately HK$1,530 million (2007: HK$1,233 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1-3 months	Over 3 months but not more than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.08
	%	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2008							
Non-derivative financial liabilities							
Trade and other payables	–	2,468	1,383	847	–	4,698	4,698
Obligation arising from put option written to minority interest	–	156	–	–	–	156	156
Bills payable	–	24	26	55	–	105	105
Amounts due to jointly controlled entities	–	1	–	–	–	1	1
Secured bank borrowings							
– Interest-free	–	163	417	237	–	817	817
– Variable rate	6.20	1	275	5	84	365	353
– Fixed rate	6.61	–	13	2,071	–	2,084	1,965
		2,813	2,114	3,215	84	8,226	8,095
Derivatives settled net							
Foreign exchange forward contracts	–	–	1	105	–	106	106

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1-3 months	Over 3 months but not more than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.07
	%	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2007							
Non-derivative financial liabilities							
Trade and other payables	–	1,862	1,376	592	–	3,830	3,830
Bills payable	–	23	1	8	–	32	32
Amounts due to jointly controlled entities	–	1	–	–	–	1	1
Secured bank borrowings							
– Interest-free	–	224	264	122	–	610	610
– Variable rate	5.94	1	4	15	332	352	324
		2,111	1,645	737	332	4,825	4,797

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities, with exception of derivative financial instruments as disclosed in note 30, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

7. TURNOVER

Turnover represents the aggregate value of goods sold after goods returns, trade discounts and sales related taxes, and rental income from leasing of properties for the year.

	2008	2007
	HK$ million	*HK$ million*
Sales of TV products	**12,262**	11,115
Sales of digital set-top boxes	**1,121**	733
Sales of mobile phones	**310**	481
Sales of other electronic products	**197**	191
Property rental income	**49**	40
	13,939	12,560

8. SEGMENT INFORMATION

Business segments

For management purposes, the Group's operations can be categorised as follows:

TV products	–	design, manufacture and sale of televisions
Digital set-top boxes	–	design, manufacture and sale of digital set-top boxes
Mobile phones	–	design, manufacture and sale of mobile phones
Other electronic products	–	design, manufacture and sale of other products mainly relate to electronics
Property holding	–	leasing of property

These operations are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

8. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	TV products HK$ million	Digital set-top boxes HK$ million	Mobile phones HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Consolidated HK$ million
For the year ended 31 March 2008							
Turnover							
External sales and rental income	12,262	1,121	310	197	49	–	13,939
Inter-segment sales and rental income	16	–	1	33	24	(74)	–
Total	12,278	1,121	311	230	73	(74)	13,939

Inter-segment sales and rental are charged at prevailing market rates.

	TV products HK$ million	Digital set-top boxes HK$ million	Mobile phones HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Consolidated HK$ million
Results							
Segment results	789	233	(174)	(71)	28		805
Interest income							42
Unallocated corporate income less expenses							(142)
Finance costs							(122)
Share of results of jointly controlled entities	–	–	–	18	–		18
Profit before taxation							601
Income taxes							(121)
Profit for the year							480
As at 31 March 2008							
Assets							
Segment assets	7,919	844	112	166	665		9,706
Interests in jointly controlled entities	–	–	–	59	–		59
Unallocated corporate assets							3,305
Total consolidated assets							13,070
Liabilities							
Segment liabilities	4,998	359	250	64	58		5,729
Unallocated corporate liabilities							3,389
Total consolidated liabilities							9,118
Other information for the year ended 31 March 2008							
Capital expenditure on							
– Property, plant and equipment	193	7	–	19	–		219
– Prepaid lease payments for land	107	–	–	14	–		121
	300	7	–	33	–		340
Amortisation of prepaid lease payments on land use rights	4	–	–	–	–		4
Depreciation and amortisation of property, plant and equipment	115	5	2	11	26		159

8. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	TV products HK$ million	Digital set-top boxes HK$ million	Mobile phones HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Consolidated HK$ million
For the year ended 31 March 2007							
Turnover							
External sales and rental income	11,115	733	481	191	40	–	12,560
Inter-segment sales and rental income	15	2	1	101	7	(126)	–
Total	11,130	735	482	292	47	(126)	12,560

Inter-segment sales and rental are charged at prevailing market rates.

	TV products HK$ million	Digital set-top boxes HK$ million	Mobile phones HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Consolidated HK$ million
Results							
Segment results	181	95	15	(51)	24		264
Interest income							9
Unallocated corporate income less expenses							(115)
Finance costs							(19)
Share of results of jointly controlled entities	–	–	–	8	–		8
Profit before taxation							147
Income taxes							(19)
Profit for the year							128
As at 31 March 2007							
Assets							
Segment assets	6,105	594	167	148	678		7,692
Interests in jointly controlled entities	–	5	–	37	–		42
Unallocated corporate assets							925
Total consolidated assets							8,659
Liabilities							
Segment liabilities	3,945	143	143	75	80		4,386
Unallocated corporate liabilities							1,010
Total consolidated liabilities							5,396
Other information for the year ended 31 March 2007							
Capital expenditure on							
– Property, plant and equipment	228	5	5	3	103		344
– Prepaid lease payments for land	7	–	–	–	–		7
	235	5	5	3	103		351
Amortisation of prepaid lease payments on land use rights	1	–	–	–	–		1
Depreciation and amortisation of property, plant and equipment	104	1	1	7	22		135

8. SEGMENT INFORMATION *(continued)*

Geographical segments

The following is an analysis of the Group's turnover by the geographical market:

	2008	2007
	HK$ million	*HK$ million*
PRC	**12,360**	11,338
Asia region (Other than PRC)	**452**	307
Europe	**600**	423
Other regions	**527**	492
	13,939	12,560

The following is an analysis of the Group's carrying amount of total assets, additions to property, plant and equipment and prepaid lease payments on land use rights by the geographical market:

	Carrying amount of total assets		**Additions to property, plant and equipment, and prepaid lease payments on land use rights**	
	2008	2007	**2008**	2007
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
PRC	**9,104**	7,446	**310**	340
Asia region (Other than PRC)	**130**	72	**22**	3
Europe	**196**	75	**3**	4
Other regions	**276**	99	**5**	4
Total segment assets	**9,706**	7,692	**340**	351
Interests in jointly controlled entities	**59**	42		
Unallocated corporate assets	**3,305**	925		
Total consolidated assets	**13,070**	8,659		

9. OTHER INCOME

	2008	2007
	HK$ million	*HK$ million*
Other income comprises:		
Dividend income from available-for-sales investments	**9**	2
Government grants	**24**	9
Interest income from loans and receivables	**42**	9
Refund of value added tax	**38**	21
Others	**76**	56
	189	97

10. FINANCE COSTS

	2008	2007
	HK$ million	*HK$ million*
Interest on bank borrowings wholly repayable within five years	**122**	28
Less: Amount capitalised in construction in progress	**–**	(9)
	122	19

Last year's borrowing costs capitalised arose on the general borrowing pool and were calculated by applying an average capitalisation rate of 5.5% per annum to expenditure on qualifying assets.

11. GAIN ON DISPOSAL OF PARTIAL INTEREST OF A SUBSIDIARY

(a) In September 2007, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements and related supplementary agreements with senior management and staff (the "Employees") of Skyworth Digital Technology (Shenzhen) Company Limited ("SDT"), a wholly-owned subsidiary of the Company, for disposal of, in aggregate, 12% of the equity interests in SDT to the Employees at cash consideration of HK$24 million which approximate the carrying amount of equivalent portion of the net asset value.

As stipulated in the supplementary agreements entered into between RGB and the Employees, the Employees are obliged to pay back RGB at 3 times of the consideration paid for acquiring the shares of SDT if they cease their employment services to SDT within 5 years after September 2007. In addition, pursuant to the supplementary agreements in November 2007, Employees have an option to sell back the share to RGB at net asset value of the latest audited financial statements of SDT and RGB is obliged to buy back the shares of SDT from the Employees, when they cease their employment within 5 years after September 2007 and before the initial public offering of SDT shares.

The shortfall of cash consideration below the fair value of 12% SDT shares of HK$39 million represents fair value of future services to be rendered by the Employees is charged to profit or loss on a straight-line basis over the contractual service period of five years and is recognised as prepayment.

(b) On 20 November 2007, RGB entered into sales and purchase agreements with each of independent third parties, Mr. Li Pu, Mr. Ye Xiao Bin and 深圳市領優投資有限公司 (the "Purchasers"). Under the agreements, RGB agreed to dispose of, in aggregate, 16% of the equity interest in SDT to the Purchasers at an aggregate consideration of approximately RMB119 million (equivalent to approximately HK$132 million).

Based on the terms of the agreements, RGB also granted a put option to the Purchasers that if the shares of SDT are not listed on any stock exchange within 28 months after 20 November 2007, the Purchaser can require RGB to buy back their shares at the original consideration paid plus 10% guaranteed annum dividends.

11. GAIN ON DISPOSAL OF PARTIAL INTEREST OF A SUBSIDIARY *(continued)*

The gain on disposal of the partial interest in the subsidiary is determined as follows:

	HK$ million
Considerations received and receivable	156
Share-based payments recognised in prepayments	39
Carrying amounts of the SDT net assets disposed of	(69)
Fair value of the corresponding put options written to purchasers (credited to minority interests)	(66)
Gain on disposal	60

The fair value of the equity interest in SDT disposed of to minority shareholders was determined by reference to the price-earning ratio of comparable listed companies in local and overseas markets, adjusted by marketability discount.

Based on the directors' best estimate, the fair value of put options written to Employees is insignificant at initial recognition and at balance sheet date.

The fair values of the corresponding put options written to the Purchasers have been determined by using Black-Scholes model with the following assumptions:

Exercise price:	Original consideration plus 10% guaranteed return
Risk-free rate:	4.23%
Time to expiration:	2.33 years
Volatility:	51.64%

Notes:

(a) The risk free rate is 5 year China Government bond yield.

(b) Time to expiration represents 28 months from 20 November 2007.

(c) Volatility is based on various historical daily volatilities of comparable companies with tenures similar to the expected life assumptions.

In respect of the put options granted to the Employees and the Purchasers, an aggregate total financial liability of HK$156 million representing the aggregate present value of 12% on estimated net asset value of SDT and estimated repurchase price of 16% equity interest at 10% discount rate has been recognised in the consolidated balance sheet with a corresponding debit to the minority interests.

12. INCOME TAXES

	2008	2007
	HK$ million	*HK$ million*
The charge comprises:		
PRC income tax		
Current year	**120**	30
Under (over) provision for previous years	**1**	(8)
	121	22
Deferred taxation *(note 22)*		
Current year	**(1)**	(3)
Attributable to a change in tax rate	**1**	–
	121	19

No provision for Hong Kong Profits Tax has been made as the relevant entities incurred tax losses for both years.

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for the year.

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries enjoying preferential tax rate of 15%, the new tax rate is increasing from 15% over 5 years to 25% as transitional provision. Deferred tax is recognised based on the tax rate that are expected to apply to the period when the asset is realised or the liability is settled. Certain subsidiaries of the Company continue to enjoy tax holidays and concessions granted to them under the new tax law and implementation rules.

Certain subsidiaries of the Group operating in the PRC were eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year.

Details of deferred taxation are set out in Note 22.

12. INCOME TAXES *(continued)*

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

	2008 **HK$ million**	2007 HK$ million
Profit before taxation	**601**	147
Tax at applicable tax rate at 15% *(Note)* (2007: 15%)	**90**	22
Tax effect of expenses not deductible for tax purpose	**22**	43
Tax effect of income not taxable for tax purpose	**(21)**	(28)
Under (over) provision in respect of prior years	**1**	(8)
Tax effect of tax losses not recognised	**48**	61
Tax effect of utilisation of tax losses previously not recognised	**–**	(1)
Temporary difference not recognised	**15**	–
Tax effect of share of results of jointly controlled entities	**(3)**	(1)
Effect of tax exemptions granted by the PRC tax authorities	**(42)**	(60)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in PRC other than Hong Kong	**2**	–
Tax effect of changes in tax rate	**1**	–
Others	**8**	(9)
Income taxes for the year	**121**	19

Note: The applicable tax rate is with referenced to the statutory tax rate of the Company's principal subsidiary.

13. PROFIT FOR THE YEAR

	2008 **HK$ million**	2007 *HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Release of prepaid lease payments on land use rights	**4**	2
Less: Amount capitalised in construction in progress	**–**	(1)
	4	1
Auditors' remuneration:		
Current year	**7**	7
Cost of inventories recognised as an expense	**10,934**	10,518
Depreciation and amortisation of property, plant and equipment	**159**	135
Exchange losses	**68**	30
Loss on disposal of property, plant and equipment	**7**	6
Impairment losses and provision for onerous contracts *(Note)*:		
Impairment losses on trade receivables	**34**	6
Write-down (write-back) of inventories	**67**	(29)
Provision on onerous contracts	**52**	–
	153	(23)
Operating lease rentals in respect of land and buildings	**50**	60
Share of income taxes of jointly controlled entities	**2**	1
Staff costs:		
Directors' emoluments *(note 14)*	**32**	23
Research and development related staff costs	**70**	50
Others	**915**	652
Rental income from leasing of properties less related outgoings of HK$21 million (2007: HK$19 million)	**(28)**	(21)

Note:

The amounts mainly represent impairment losses on trade receivables and inventories of one of the other electronic product divisions and mobile phones operation as well as provision for non-cancellable purchase contracts for mobile phones business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

For the electronic product division, the management decided to cease the existing operation of this division during the year. The management decided that the recoverability of its accounts receivable is doubtful and the net realisable value of the remaining inventories is insignificant, full impairment has been made for all receivables and inventories of the division.

For the mobile phones operation, the management reviewed the net realisable value of the existing inventories based on its business plan and estimated selling prices of respective models and made the appropriate impairment losses during the year.

For the year ended 31 March 2007, the amounts mainly represented the write-back of inventories under televisions operation.

14. DIRECTORS' EMOLUMENTS

	2008	2007
	HK$ million	*HK$ million*
Directors' fees	**1**	3
Other emoluments		
Basic salaries and allowances	**7**	6
Retirement benefits scheme contributions	**–**	1
Performance related incentive payments *(Note)*	**18**	9
Share-based payments	**6**	4
	32	23

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the directors.

No director waived any emoluments during each of the two years ended 31 March 2008.

The emoluments paid or payable to each of the directors of the Company for the year ended 31 March 2008, calculated with reference to their employment as directors of the Company, are set out below:

	Directors' fees	**Basic salaries and allowances**	**Retirement benefits scheme contributions**	**Performance related incentive payments**	**Share-based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Zhang Xuebin	–	2,103	11	11,400	2,207	15,721
Ding Kai	–	593	–	–	928	1,521
Leung Chi Ching, Frederick	–	1,633	12	1,400	861	3,906
Lin Wei Ping	–	840	36	–	287	1,163
Yang Dongwen	–	1,457	8	5,540	2,091	9,096
	–	6,626	67	18,340	6,374	31,407
Independent non-executive directors:						
So Hon Cheung, Stephen	480	–	–	–	52	532
Li Weibin	480	–	–	–	52	532
Xie Zhengcai	189	–	–	–	–	189
	1,149	–	–	–	104	1,253
Total directors' emoluments	1,149	6,626	67	18,340	6,478	32,660

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: four) were directors of the Company, whose emoluments are included in note 14 above. The emoluments of all of the five individuals with the highest emoluments in the Group for each of the two years ended 31 March 2008 were as follows:

	2008	2007
	HK$ million	*HK$ million*
Basic salaries, allowances and benefits in kind	**8**	8
Retirement benefit scheme contributions	**1**	1
Performance related incentive payments *(Note)*	**21**	9
Share-based payments	**7**	6
	37	24

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the individuals.

The above employees' emoluments were within the following bands:

	Number of individuals	
	2008	2007
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
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$15,500,001 to HK$16,000,000	**1**	–

Save as disclosed in notes 14 and 15 above, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 March 2008.

16. DIVIDENDS

(a) Dividends paid during the year

	2008 **HK$ million**	2007 HK$ million
Final dividend paid for the year ended 31 March 2007: HK1.2 cents (2006: HK2.8 cents) per share	**28**	64
Interim dividend paid for the year ended 31 March 2008: HK0.5 cent (2007: HK0.5 cent) per share	**11**	11
	39	75

(b) Dividends attributable to the year

	2008 **HK$ million**	2007 HK$ million
Interim dividend declared and paid of HK0.5 cent (2007: HK0.5 cent) per share	**11**	11
Final dividend proposed after the balance sheet date of HK4.5 cents (2007: HK1.2 cents) per share	**103**	28
	114	39

The proposed final dividend of HK4.5 cents per share is declared on 23 July 2008. Such final dividend is satisfied by way of scrip dividend by an allotment of new shares of the Company credit as fully paid and that shareholders may elect to receive cash wholly or partly in lieu of the scrip dividend. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 March 2008.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity shareholders of the Company is based on the following data:

	2008	2007
	HK$ million	*HK$ million*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**457**	128

	Number of shares	
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,291,056,144**	2,288,459,909
Effect of dilutive potential ordinary shares:		
– Share options granted	**8,487,129**	7,614,799
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,299,543,273**	2,296,074,708

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average fair value per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$ million	Construction in progress HK$ million	Plant and machinery HK$ million	Furniture, equipment and motor vehicles HK$ million	Total HK$ million
COST					
At 1 April 2006	381	371	557	152	1,461
Exchange realignment	31	8	28	8	75
Additions	6	162	123	53	344
Amortisation of prepaid lease payments capitalised	–	1	–	–	1
Reclassification	473	(523)	50	–	–
Disposals	–	–	(11)	(16)	(27)
At 31 March 2007	891	19	747	197	1,854
Exchange realignment	86	3	64	19	172
Additions	12	90	47	70	219
Reclassification	71	(71)	–	–	–
Disposals	(1)	–	(12)	(55)	(68)
At 31 March 2008	**1,059**	**41**	**846**	**231**	**2,177**
DEPRECIATION AND AMORTISATION					
At 1 April 2006	78	–	429	80	587
Exchange realignment	4	–	20	4	28
Provided for the year	30	–	67	38	135
Eliminated on disposals	–	–	(8)	(11)	(19)
At 31 March 2007	112	–	508	111	731
Exchange realignment	13	–	42	10	65
Provided for the year	41	–	71	47	159
Eliminated on disposals	–	–	(10)	(50)	(60)
At 31 March 2008	**166**	**–**	**611**	**118**	**895**
CARRYING VALUES					
At 31 March 2008	**893**	**41**	**235**	**113**	**1,282**
At 31 March 2007	779	19	239	86	1,123

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases or 50 years
Plant and machinery	20%-50%
Furniture, equipment and motor vehicles	20%-50%

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

Included in leasehold land and building of the Group are certain properties with carrying value of approximately HK$105 million (2007: HK$116 million) held under operating leases to earn rentals during the year. These properties do not qualify as investment properties as more than insignificant portions of the entire properties are held for use by the Group in the production or supply of goods or services or for administrative purposes and these portions could not be sold separately.

The carrying values of leasehold land and buildings and construction in progress shown above comprises:

	2008 **HK$ million**	2007 *HK$ million*
Leasehold land and buildings:		
In the PRC held under		
– long term leases	**26**	26
– medium-term leases	**48**	45
	74	71
In Hong Kong held under long term leases	**30**	31
	104	102
Buildings:		
In the PRC held under medium-term leases	**789**	677
Construction in progress:		
In the PRC held under medium-term leases	**41**	19
	934	798

19. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2008 **HK$ million**	2007 *HK$ million*
Carrying amount at 1 April	**104**	94
Additions	**121**	7
Released during the year	**(4)**	(2)
Exchange realignment	**11**	5
Carrying amount at 31 March	**232**	104
Analysed for reporting purposes as:		
Non-current assets	**227**	102
Current assets	**5**	2
	232	104

The Group's prepaid lease payments on land use rights represents the land situated in the PRC and held under medium-term leases.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 **HK$ million**	2007 *HK$ million*
Cost of unlisted investments	**77**	69
Share of post-acquisition losses and exchange reserve, net of dividends received	**(18)**	(27)
	59	42

The following lists the jointly controlled entities of the Group as at 31 March 2008 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Name of entity	**Form of business structure**	**Place of registration and operation**	**Paid up registered capital**	**Effective interest held by the Group**	**Principal business**
深圳市創維群欣安防科技有限公司	Equity joint venture	PRC	RMB45,000,000	50%	Manufacture and sales of monitor system
深圳大雁科技實業有限公司	Equity joint venture	PRC	RMB30,000,000	50%	Manufacture and sales of electronic components

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using equity method as follows:

Share of assets and liabilities attributable to the Group

	2008 **HK$ million**	2007 *HK$ million*
Non-current assets	**34**	17
Current assets	**97**	71
Current liabilities	**(72)**	(46)
Non-current liabilities	**–**	–
	59	42

Share of results attributable to the Group

	2008 **HK$ million**	2007 *HK$ million*
Total revenue	**119**	75
Total expenses	**(101)**	(67)
	18	8

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amount of unrecognised share of these jointly controlled entities, both for the year and cumulatively, are as follows:

	2008	2007
	HK$ million	*HK$ million*
Unrecognised share of losses of jointly controlled entites for the year	**11**	13
Accumulated unrecognised share of losses of jointly controlled entites	**34**	23

21. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$ million	*HK$ million*
Unlisted equity securities, at cost		
– in the PRC	**29**	21
– in overseas	**16**	16
Less: Impairment loss recognised	**(20)**	(11)
	25	26
Listed equity securities		
– in Hong Kong, at fair values	**14**	6
	39	32

The equity securities unlisted in the PRC and overseas are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

The directors conducted a review of the Group's available-for-sale investments during the year and determined that the recoverable amounts of certain investments in unlisted equity securities in the PRC based on discounted future cash flows were less than their corresponding carrying amounts. Accordingly, further impairment loss of HK$9 million (2007: HK$3 million) has been recognised to consolidated income statement in respect of these investments during the year.

22. DEFERRED TAXATION

The followings are the major deferred tax balances recognised and movements thereon during the current and prior years:

Deferred tax liabilities:

	Accelerated tax depreciation *HK$ million*	**Tax losses** *HK$ million*	**Others** *HK$ million* *(Note)*	**Total** *HK$ million*
At 1 April 2006	2	(1)	–	1
Credit to consolidated income statement for the year	–	(1)	–	(1)
Charge to equity for the year	–	–	8	8
At 31 March 2007	2	(2)	8	8
Charge to consolidated income statement for the year	1	1	1	3
Charge to equity for the year	–	–	27	27
Effect of changes in tax rate				
– Charge to consolidated income statement for the year	1	–	–	1
– Charge to equity for the year	–	–	2	2
Exchange realignment	–	–	2	2
At 31 March 2008	**4**	**(1)**	**40**	**43**

Deferred tax assets:

	Provision *HK$ million*	**Others** *HK$ million*	**Total** *HK$ million*
At 1 April 2006	–	–	–
Credit to consolidated income statement for the year	2	–	2
At 31 March 2007	2	–	2
Credit to consolidated income statement for the year	(1)	5	4
Exchange realignment	–	1	1
At 31 March 2008	**1**	**6**	**7**

Note: Amount mainly represents taxable temporary difference from the exchange gain arising on the translation of Group's net investments in foreign operations.

At the balance sheet date, the Group has unutilised tax losses of HK$1,167 million (2007: HK$803 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$4 million (2007: HK$9 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$1,163 million (2007: HK$794 million) due to the unpredictability of future profit streams.

22. DEFERRED TAXATION *(continued)*

Unutilised tax losses will expire as follows:

	2008 **HK$ million**	2007 *HK$ million*
2007	**–**	1
2008	**27**	25
2009	**25**	22
2010	**116**	106
2011	**344**	322
2012	**294**	–
Carried forward indefinitely	**361**	327
	1,167	803

23. INVENTORIES

	2008 **HK$ million**	2007 *HK$ million*
Raw materials	**561**	432
Work in progress	**179**	174
Finished goods	**1,173**	967
	1,913	1,573

24. TRADE AND OTHER RECEIVABLES

Sales in the PRC are generally settled by payment on delivery or receiver of bills issued by banks with maturity dates ranging from 30 to 180 days. Sales to certain wholesalers in the PRC are 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 offices.

For certain sales of digital set-top boxes, the credit terms are ranging from 90 days to 270 days.

Export sales of the Group are mainly settled by letters of credit with credit term ranging from 30 to 90 days.

Trade receivables are non-interest bearing.

24. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2008	2007
	HK$ million	*HK$ million*
Within 30 days	**457**	182
31 to 60 days	**200**	214
61 to 90 days	**136**	107
91 days or over	**483**	146
Trade receivables	**1,276**	649
Deposits, prepayments and other receivables	**532**	385
	1,808	1,034

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$558 million (2007: HK$308 million) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is the ageing of trade receivables which are past due but not impaired:

	2008	2007
	HK$ million	*HK$ million*
Overdue		
Within 30 days	**230**	153
31 to 60 days	**77**	80
61 to 90 days	**59**	14
91 days or over	**192**	61
	558	308

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defines credit limits by customer.

Allowance on trade receivables are made based on estimated irrecoverable amounts by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the Group has no significant concentration of credit risk of trade and other receivables, with exposure spread over a number of counterparties and customers.

24. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts is as follows:

	2008 **HK$ million**	2007 *HK$ million*
Balance at beginning of the year	**72**	70
Impairment loss recognised on receivables	**34**	6
Amounts written off as uncollectible	**(7)**	(6)
Exchange realignment	**6**	2
Balance at end of the year	**105**	72

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$105 million (2007: HK$72 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

25. BILLS RECEIVABLE

The maturity dates of bills receivable at the balance sheet date are analysed as follows:

	2008 **HK$ million**	2007 *HK$ million*
Within 30 days	**230**	90
31 to 60 days	**174**	91
61 to 90 days	**209**	205
91 days or over	**1,041**	1,174
Bills endorsed to suppliers	**1,932**	1,677
Bills discounted with recourse	**817**	610
	4,403	3,847

The carrying values of bills endorsed to suppliers and bills discounted with recourse continue to be recognised as assets in the consolidated financial statements as the Group still exposes to credit risk on these receivables as at balance sheet date. Accordingly, the associated liabilities, mainly borrowings and payables, are not derecognised in the consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months at the balance sheet date.

26. AMOUNTS DUE FROM MINORITY SHAREHOLDERS AND JOINTLY CONTROLLED ENTITIES

The amounts due from minority shareholders and jointly controlled entities are unsecured, interest free and repayable on demand.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.72% to 1.53% (2007: 0.72% to 3.1%).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.72% to 4.14% (2007: 0.72% to 3.1%).

28. TRADE AND OTHER PAYABLES

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

	2008	2007
	HK$ million	*HK$ million*
Within 30 days	**735**	508
31 to 60 days	**322**	312
61 to 90 days	**399**	266
91 days or over	**216**	174
Trade payables under endorsed bills	**1,926**	1,677
Trade payables	**3,598**	2,937
Deposits in advance, accruals and other payables	**1,573**	1,275
	5,171	4,212

29. BILLS PAYABLE

The maturity dates of bills payable at the balance sheet date are analysed as follows:

	2008	2007
	HK$ million	*HK$ million*
Within 30 days	**24**	15
31 to 60 days	**26**	8
61 to 90 days	**–**	8
91 days or over	**55**	1
	105	32

30. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 months/one year US dollar loans from these banks for settlement of its US dollar payable to suppliers denominated in US dollar. At the same time, the Group (a) placed 6 months/one year fixed deposits (amounted to the Renminbi equivalent of the respective amounts of US dollar loans plus interests thereon) to the banks as security against the US dollar loans, and (b) entered into forward contracts with the banks to purchase US dollars (amounted to the US dollar loans plus interests thereon) by Renminbi at predetermined forward rates.

As at 31 March 2008, the US dollar loans of HK$1,715 million and fixed deposits denominated in Renminbi of HK$1,802 million are included in other bank loans and pledged bank deposits as disclosed in notes 33 and 27 respectively.

The related interest income on the fixed deposits of HK$27 million and exchange gain on US dollar loans of HK$102 million are included in consolidated income statement, while the interest expenses on US dollar loans of HK$44 million are included in finance cost as disclosed in note 10.

Major terms of foreign currency forward contracts as at 31 March 2008 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
US$120,166,535	From July 2008 to September 2008	Buy US$/sell RMB at 7.0977 to 7.6133
US$71,813,183	From October 2008 to December 2008	Buy US$/sell RMB at 7.3705 to 7.5382
US$28,369,212	From January 2009 to March 2009	Buy US$/sell RMB at 7.1024 to 7.2655

At 31 March 2008, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of HK$106 million (2007: nil). These amounts are based on market prices quoted by the counterparty financial institutions at the balance sheet date. The loss on change in fair value of the foreign currency forward contracts amounting to HK$100 million (2007: nil) has been recognised in consolidated income statement.

31. PROVISION FOR WARRANTY AND ONEROUS CONTRACTS

Provision for warranty

	2008 **HK$ million**	2007 HK$ million
Balance at 1 April	**61**	73
Adjustment arising from use of revised defective rates	**–**	(17)
Additional provision in respect of current year's sales	**77**	61
Unused amounts reversed	**–**	(6)
Utilised	**(62)**	(53)
Exchange realigments	**7**	3
Balance at 31 March	**83**	61

The Group provides three years product warranty to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised by reference to the current defective rate of products sold.

Provision for onerous contracts

	2008 **HK$ million**	2007 HK$ million
Balance at 1 April	**–**	–
Provision for the year	**52**	–
Balance at 31 March	**52**	–

The amounts represent the provision for non-cancellable purchase contracts for mobile phones business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

Provision for warranty and onerous contracts

	2008 **HK$ million**	2007 HK$ million
Analysed for reporting purposes as:		
Current liabilities	**102**	42
Non-current liabilities	**33**	19
	135	61

32. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.

33. SECURED BANK BORROWINGS

	2008 **HK$ million**	2007 HK$ million
Secured bank borrowings comprise the following:		
Mortgage loans	**–**	1
Construction loan	**353**	323
Financial liabilities on bills discounted with recourse	**817**	610
Other bank loans	**1,965**	–
	3,135	934
The bank borrowings are repayable as follows:		
Within one year or on demand	**3,052**	611
More than one year, but not exceeding two years	**83**	171
More than two years, but not exceeding five years	**–**	152
	3,135	934
Less: Amount due within one year or on demand included in current liabilities	**(3,052)**	(611)
Amount due after one year	**83**	323

Included in the balance as at 31 March 2008 is fixed-rate bank borrowings of HK$1,715 million (2007: nil) denominated in US$ and carry at interest rates ranging from 5.95% to 10.20% (2007: nil).

All other bank borrowings are denominated in Renminbi. Other than the financial liabilities on bills discounted with recourse of HK$817 million (2007: HK$610 million) are interest free, all other bank borrowings are carried at variable market interest rates ranging from 3.5% to 11.6% (2007: 2.9% to 7.25%) per annum and repriced every year.

Other than the fixed rate US$ bank borrowing, the receipts and payments of all above secured bank borrowings are denominated in the functional currencies of the relevant group entities.

34. DEFERRED INCOME

	2008	2007
	HK$ million	*HK$ million*
Deferred income	**161**	80
Less: Amount to be recognised as income within one year included in current liabilities	**(59)**	(52)
Amount to be recognised as income after one year	**102**	28

Deferred income represents government grants provided by the relevant PRC government authorities for the purposes of financing the development of new products or the construction of production plant. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets. The policy has resulted in a credit to income in the current year of HK$24 million (2007: HK$9 million).

35. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$ million
Ordinary shares of HK$0.1 each:		
Authorised		
At 1 April 2006, 31 March 2007 and 31 March 2008	10,000,000,000	1,000
Issued and fully paid		
At 1 April 2006	2,284,684,391	228
Issue of shares under share option schemes	4,606,000	1
At 31 March 2007	2,289,290,391	229
Issue of shares under share option schemes	3,500,000	–
At 31 March 2008	2,292,790,391	229

Details of the exercise of share options during the two years ended 31 March 2008 are set out in note 36.

36. SHARE OPTIONS

The Company adopted two share option schemes mainly for the purpose of providing incentives to directors and eligible employees. Particulars of the share option schemes are detailed below:

(i) Pursuant to a resolution passed on 27 March 2000, the Company adopted a share option scheme under which 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 (the "Old Scheme").

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 portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, will lapse on 27 March 2010.

Under the Old Scheme, 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 of the Company 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 of the Company, whichever is the higher.

With effect from 1 September 2001, in accordance with the amended Chapter 17 of the Listing Rules, the exercise price of any share options granted by the Company must be at least the higher of the closing price of the shares of the Company on the date of grant, and the average closing prices of the shares of the Company for the five business days immediately preceding the date of grant. Unless the grants of share options under the Old Scheme 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. Nevertheless, options previously granted under the Old Scheme will continue to be exercisable in accordance with the Old Scheme.

(ii) Pursuant to a special resolution passed on 28 August 2002, the Company adopted a new share option scheme under which 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 (the "New Scheme").

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 portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, will lapse on 28 August 2012.

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 New 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 or exceed any of the refreshed limit.

36. SHARE OPTIONS *(continued)*

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the New Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of shares available for grant under the share option schemes of the Company is approximately 95,550,000 representing approximately 4.16% of the issued share capital of the Company as at the date of this report.

2008

The following table shows the movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2008:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year	Exercised during the year (note b)	Cancelled during the year	Outstanding at 31 March 2008
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	254,000	–	–	–	254,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	346,000	–	–	–	346,000
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	4,098,000	–	–	–	4,098,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	1,500,000	–	(750,000)	–	750,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	1,500,000	–	(750,000)	–	750,000
				7,698,000	–	(1,500,000)	–	6,198,000

Notes:

(a) No share option was granted under the Old Scheme during the year ended 31 March 2008.

(b) 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 2008 was HK$1.14.

36. SHARE OPTIONS *(continued)*

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 2008:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year *(note c)*	Exercised during the year *(note d)*	Cancelled during the year	Outstanding at 31 March 2008
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	7,626,000	–	–	–	7,626,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	7,626,000	–	–	–	7,626,000
		28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	–	–	–	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	–	–	–	72,000
9 June 2003	0.752	9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	–	–	–	500,000
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	–	–	–	500,000
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	–	–	–	500,000
27 June 2003	0.742	27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	–	–	–	250,000
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	–	–	–	250,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	–	–	–	250,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year *(note c)*	Exercised during the year *(note d)*	Cancelled during the year	Outstanding at 31 March 2008
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	24,729,000	–	–	–	24,729,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	25,865,000	–	–	–	25,865,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	26,965,000	–	–	–	26,965,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	33,565,000	–	–	–	33,565,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	11,000,000	–	–	–	11,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	100,000	–	–	–	100,000
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	132,500	–	–	–	132,500

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2008
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	1,000,000	–	–	–	1,000,000
		28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	5,000,000	–	–	–	5,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	5,000,000	–	–	–	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	5,000,000	–	–	–	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	5,000,000	–	–	–	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	30,000	–	–	–	30,000
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	30,000	–	–	–	30,000
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	30,000	–	–	–	30,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	30,000	–	–	–	30,000
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	1,250,000	–	–	–	1,250,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year (note c)	Exercised during the year (note d)	Cancelled during the year	Outstanding at 31 March 2008
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	–	–	–	250,000
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	3,875,000	–	–	–	3,875,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	3,875,000	–	–	–	3,875,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	3,875,000	–	–	–	3,875,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,875,000	–	–	–	3,875,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	–	12,500,000	–	–	12,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	–	12,500,000	–	–	12,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	–	12,500,000	–	–	12,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	–	12,500,000	–	–	12,500,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2008
	HK$				*(note c)*	*(note d)*		
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	–	8,337,500	–	–	8,337,500
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	–	8,337,500	–	–	8,337,500
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	–	8,337,500	–	–	8,337,500
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	–	8,337,500	–	–	8,337,500
				185,324,000	83,350,000	(2,000,000)	–	266,674,000

Notes:

(c) During the year ended 31 March 2008, 83,350,000 share options were granted to eligible persons as defined in the New Scheme. The closing share prices of the Company on 11 May 2007 and 1 February 2008, the trading days preceding the date of grant of the share options were HK$1.048 and HK$0.770 respectively.

(d) 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 2008 was HK$1.11.

36. SHARE OPTIONS *(continued)*

2007

The following table shows the movements in the Company's share options granted under the Old Scheme during the year ended 31 March 2007:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2006	Exercised during the year (note b)	Cancelled during the year	Outstanding at 31 March 2007
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	284,000	(12,000)	(18,000)	254,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	406,000	(16,000)	(44,000)	346,000
		25 November 2000 to 24 November 2003	25 November 2003 to 27 March 2010	38,000	(38,000)	–	–
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	12,376,000	(1,996,000)	(6,282,000)	4,098,000
2 April 2001	0.292	2 April 2001 to 1 April 2005	2 April 2005 to 27 March 2010	500,000	(500,000)	–	–
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	3,000,000	(750,000)	(750,000)	1,500,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	3,000,000	(750,000)	(750,000)	1,500,000
25 March 2002	0.520	25 March 2002 to 24 March 2005	25 March 2005 to 27 March 2010	100,000	–	(100,000)	–
8 August 2002	0.750	8 August 2002 to 7 August 2005	8 August 2005 to 27 March 2010	500,000	–	(500,000)	–
		8 August 2002 to 7 August 2006	8 August 2006 to 27 March 2010	500,000	–	(500,000)	–
				20,704,000	(4,062,000)	(8,944,000)	7,698,000

Notes:

(a) No share option was granted under the Old Scheme during the year ended 31 March 2007.

(b) The weighted average closing price of the Company's share immediately before the dates of which the share options were exercised during the year ended 31 March 2007 was HK$0.94.

36. 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 2007:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2006	Exercised during the year (note c)	Cancelled during the year	Outstanding at 31 March 2007
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	2,100,000	–	(100,000)	2,000,000
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	9,826,000	–	(2,200,000)	7,626,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	9,826,000	–	(2,200,000)	7,626,000
14 February 2003	0.874	14 February 2003 to 13 February 2005	14 February 2005 to 28 August 2012	100,000	(100,000)	–	–
		14 February 2003 to 13 February 2006	14 February 2006 to 28 August 2012	368,000	(368,000)	–	–
28 March 2003	0.776	28 March 2003 to 27 March 2005	28 March 2005 to 28 August 2012	76,000	(76,000)	–	–
		28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	–	–	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	–	–	72,000
9 June 2003	0.752	9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	–	–	500,000
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	–	–	500,000
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	–	–	500,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2006	Exercised during the year (note c)	Cancelled during the year	Outstanding at 31 March 2007
27 June 2003	0.742	27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	–	–	250,000
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	–	–	250,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	–	–	250,000
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	28,210,000	–	(3,481,000)	24,729,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	29,960,000	–	(4,095,000)	25,865,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	33,060,000	–	(6,095,000)	26,965,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	39,660,000	–	(6,095,000)	33,565,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	11,000,000	–	–	11,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	100,000	–	–	100,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	100,000	–	–	100,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	100,000	–	–	100,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	100,000	–	–	100,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2006	Exercised during the year (note c)	Cancelled during the year	Outstanding at 31 March 2007
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	132,500	–	–	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	132,500	–	–	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	132,500	–	–	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	132,500	–	–	132,500
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	1,000,000	–	–	1,000,000
		28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	5,000,000	–	–	5,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	5,000,000	–	–	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	5,000,000	–	–	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	5,000,000	–	–	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	30,000	–	–	30,000
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	30,000	–	–	30,000
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	30,000	–	–	30,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	30,000	–	–	30,000

36. SHARE OPTIONS *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2006	Exercised during the year (note c)	Cancelled during the year	Outstanding at 31 March 2007
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	1,250,000	–	–	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	1,250,000	–	–	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	1,250,000	–	–	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	1,250,000	–	–	1,250,000
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	–	–	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	–	–	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	–	–	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	–	–	250,000
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	4,875,000	–	(1,000,000)	3,875,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	4,875,000	–	(1,000,000)	3,875,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	4,875,000	–	(1,000,000)	3,875,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,875,000	–	–	3,875,000
				213,134,000	(544,000)	(27,266,000)	185,324,000

Notes:

(c) The weighted average closing price of the Company's share immediately before the dates of which the share options were exercised during the year ended 31 March 2007 was HK$1.01.

At the balance sheet date, outstanding share options of 73,000,000 (2007: 42,000,000) above are held by the directors of the Company. Details of the share options held by the directors are disclosed in the section headed "Directors' interests in shares and share options" of the report of the directors.

37. SHARE-BASED PAYMENTS

Share options

The particulars of the share option schemes of the Company, and the details of and the movements in share options during the two years ended 31 March 2008 are disclosed in note 36, a summary of which is presented below:

	2008		2007	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at the beginning of the year	**193,022,000**	**1.571**	233,838,000	1.491
Granted during the year	**83,350,000**	**0.937**	–	–
Exercised during the year	**(3,500,000)**	**0.660**	(4,606,000)	0.421
Cancelled during the year	**–**	**–**	(36,210,000)	1.200
Outstanding at the end of the year	**272,872,000**	**1.389**	193,022,000	1.571
Exercisable at the end of the year	**119,157,000**		122,657,000	

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.12 (2007: HK$0.95). The share options outstanding as at 31 March 2008 have a weighted average remaining contractual life of 4.5 years (2007: 5.4 years) and the exercise prices of which range from HK$0.336 to HK$2.740 (2007: HK$0.336 to HK$2.740).

The fair values of share options granted by the Company were determined by using Black-Scholes Model. The details of the variables used for calculating fair value of the share options granted during the year ended 31 March 2008 are summarised as follows:

	Grant 1	**Grant 2**
Date of grant of the share options:	11 May 2007	1 February 2008
Expected life of the share options:	5 years	4.5 years
Risk-free interest rate:	4.063%	2.01%
Expected volatility of share prices:	40%	40%
Expected dividend yield:	3.5%	3.5%

Notes:

(a) The expected life of the share options is determined as 5 and 4.5 years respectively, which represents the expected years of services of the employees with the Group from the date of grant up to the date of exercise of the share option.

(b) The risk-free interest rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes closest to the fifth anniversary day of the date of grant of the share options as at that date of grant.

37. SHARE-BASED PAYMENTS *(continued)*

Notes: (continued)

(c) The expected volatility of share prices applied to the Black-Scholes Model is derived with reference to the annualised average standard deviation of the daily closing share prices of the Company since 7 April 2000 (the date of initial share dealing of the Company in the Stock Exchange) to the dates of grant and management's expectation on the future movements in share prices.

(d) The expected dividend yield is derived with reference to the expected annual dividend to the expected share prices of the Company.

The fair value of share options granted on 11 May 2007 and 1 February 2008, determined using the Black-Scholes Model with the above variables, are HK$0.31 and HK$0.23 per share option respectively. The weighted average fair value of share options granted during the year was HK$0.28 (2007: nil).

For the purpose of the calculation of the fair value of share options, no adjustment has been made in respect of share options expected to be forfeited, due to lack of historical data.

Sale of shares of subsidiary to employees at consideration below fair value

Details of the share-based payments in respect of sale of SDT shares at consideration below fair value are set out in note 11.

The Company has applied HKFRS 2 "Share-based Payment" to account for its share options and sale of shares of subsidiary at consideration below fair value. An amount of share-based payment expenses of HK$18 million (2007: HK$13 million) has been recognised in the current year.

38. PLEDGE OF ASSETS

At 31 March 2008, the Group's bank borrowings were secured by the followings:

(a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$61 million (2007: HK$57 million) and HK$23 million (2007: HK$254 million) respectively;

(b) bills receivable of HK$229 million (2007: HK$150 million); and

(c) bank deposits of HK$1,870 million (2007: HK$65 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$1,932 million (2007: HK$1,677 million) and HK$817 million (2007: HK$610 million) respectively as disclosed in note 25.

39. 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:

	2008	2007
	HK$ million	*HK$ million*
Within one year	**11**	19
In the second to fifth year inclusive	**16**	39
Over five years	**–**	2
	27	60

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to five years and rentals are fixed over the term of the relevant leases.

The Group as lessor

During the year, the Group earned rental income of HK$49 million (2007: HK$40 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to five years.

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

	2008	2007
	HK$ million	*HK$ million*
Within one year	**36**	33
In the second to fifth year inclusive	**17**	11
Over five years	**2**	–
	55	44

40. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2008	2007
	HK$ million	*HK$ million*
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**5**	8
Factory buildings under development	**100**	35
Investment in a jointly controlled entity in PRC	**11**	–
Investment in unlisted equity securities in PRC	**109**	–
	225	43
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**3**	–
Factory buildings under development	**302**	419
	305	419

41. CONTINGENT LIABILITIES

Up to the date of this report, there are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. While it is in an early stage of those disputes, the directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

42. SUBSEQUENT EVENTS

(a) On 17 January 2008, the Company's wholly-owned subsidiary, Skyworth TV Holdings Limited ("TV Holdings") entered into a contract to invest US$14 million for a minority interest in a PRC company, which operates a liquid crystal display module factory in mainland China. The investment transaction has not been completed as at balance sheet date. The transaction will be completed upon the receipt of the approval and registration documents from the relevant PRC and Korean authorities.

(b) On 18 June 2008, the Company's two wholly-owned subsidiaries, Skyworth Mobile Communication Limited ("Mobile") and Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB") entered into the sale and purchase agreement ("Agreement") with Shenzhen Baoyi Communication Limited ("Shenzhen Baoyi") and Shine Success Group Limited ("Shine Success"), under which Mobile and RGB agreed to sell and Shenzhen Baoyi and Shine Success agreed to purchase, an aggregate of 80% equity interest in 創維移動通信技術(深圳)有限公司("Mobile (SZ)") at a nominal consideration of RMB1 (equivalent to approximately HK$1.13) and HK$1 respectively.

As at 31 May 2008, Mobile (SZ) had estimated net liabilities in the amount of approximately RMB132 million (equivalent to approximately HK$150 million). The net liabilities are estimated with reference to the unaudited financial statements of Mobile (SZ) as at 31 March 2008 prepared under Hong Kong Financial Reporting Standards and adjusted to include the estimated losses of the business based on the unaudited management reports in the months of April and May 2008.

Other major terms of the Agreement are set out below:

(I) RGB would inject into Mobile (SZ) an initial amount of RMB40,000,000 (equivalent to approximately HK$45,200,000); and

(II) Shenzhen Baoyi and Shine Success would inject into Mobile (SZ) a minimum amount of RMB50,000,000 (equivalent to approximately HK$56,500,000) in accordance with its operating needs.

RGB would be responsible for 45% of such net liabilities amount as at 31 May 2008 subject to a cap of RMB66,880,000 (equivalent to approximately HK$75,574,400), RMB40,000,000 (equivalent to approximately HK$45,200,000) of which would be injected into Mobile (SZ) under (I) above.

43. RETIREMENT BENEFITS SCHEMES

The employees of the Company's Hong Kong subsidiaries participate in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") or a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

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 ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

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

	2008 ***HK$ million***	2007 *HK$ million*
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**30**	15
Total retirement benefit scheme contributions	**31**	16

At 31 March 2008, there were no forfeited contributions available to offset future employers' contributions to the schemes.

44. RELATED PARTY TRANSACTIONS

Trading transactions

During the year, the Group has the following transactions with jointly controlled entities:

	2008	2007
	HK$ million	*HK$ million*
Sub-contracting charges paid	**3**	5
Sales of raw materials	**51**	9
Purchase of equipment	**–**	1
Purchase of raw materials	**4**	5
Advertising and promotional expenses paid	**24**	33

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK$ million	*HK$ million*
Short-term benefits	**35**	30
Post-employment benefits	**1**	1
Share-based payments	**10**	7
	46	38

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2008 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company % (note a)	Principal activities
Skyworth Holdings Limited 創維控股有限公司	Samoa	Ordinary shares US$1	100	Investment holding
Skyworth Enterprises Limited 創維實業有限公司	Samoa	Ordinary shares US$1	100	Investment holding
Skyworth Digital Group Limited	The British Virgin Islands	Ordinary shares HK$893 Preference shares HK$990	100	Investment 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 *(note b)*	100	Procurement of raw materials and investment holding
深圳創維-RGB電子有限公司 Shenzhen Chuangwei-RGB Electronics Co., Ltd.	PRC *(note c)*	Registered capital RMB200,000,000	100	Manufacture and sale of consumer electronic products
新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC *(note d)*	Registered capital US$21,180,000	100	Manufacture of consumer electronic products and property holding
創維電子(內蒙古)有限公司	PRC *(note c)*	Registered capital US$10,000,000	100	Manufacture and sale of consumer electronic products
創維平面顯示科技(深圳)有限公司	PRC *(note d)*	Registered capital US$12,000,000	100	Manufacture of consumer electronic products and property holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company % *(note a)*	Principal activities
深圳創維精密科技有限公司	PRC *(note c)*	Registered capital RMB10,000,000	100	Design, Manufacture and sale of moulds and related products
創維網絡通訊(深圳)有限公司	PRC *(note d)*	Registered capital HK$50,000,000	100	Investment holding
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 and trading of consumer electronic products
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 Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	100	Manufacture and sale of consumer electronic products
創維多媒體(深圳)有限公司	PRC *(note d)*	Registered capital US$3,500,000	100	Manufacture and sale of consumer electronic products
Skyworth Overseas Limited 創維海外有限公司	Hong Kong	Ordinary shares HK$2	100	Trading of consumer electronic products
Skyworth Electronics Inc.	The United States of America	Ordinary share US$100,000	100	Trading of consumer electronic products
深圳創維數字技術股份有限公司	PRC *(note d)*	Registered capital RMB120,000,000	72	Manufacture and sale of consumer electronic products and research and products development

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company % *(note a)*	Principal activities
創維移動通信技術(深圳)有限公司	PRC *(note c)*	Registered capital US$3,750,000	100	Trading of mobile communication related products and research and product development
創維應用電子(深圳)有限公司	PRC *(note d)*	Registered capital US$1,200,000	94	Trading of consumer electronic products
創維汽車電子(深圳)有限公司	PRC *(note d)*	Registered capital HK$4,700,000	100	Manufacture and sale of automobile electronic products
創維液晶器件(深圳)有限公司	PRC *(note d)*	Registered capital HK$10,830,000	100	Manufacture and sale of consumer electronic products and research and products development
Skyworth Intellectual Property Holdings Limited	The British Virgin Islands	Ordinary share US$1	100	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	100	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands	Ordinary shares US$10	100	Investment holding

Notes:

(a) The Company directly holds the entire interest in Skyworth Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares carry practically no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

(c) The subsidiaries are sino-foreign equity joint ventures registered in the PRC.

(d) The subsidiaries are wholly foreign owned enterprises registered in the PRC.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

東莞市創維電器發展有限公司 ("東莞創維"), a limited company established in the PRC, is principally engaged in the trading of consumer electronic products supplied by the Group. The Company does not, directly or indirectly, own any of the registered capital of 東莞創維. However, since both the business activities and decision making of 東莞創維 are managed and determined by the Group and the Group retains the majority of the residual or ownership risks or the assets related to 東莞創維 in order to obtain benefits from the activities of 東莞創維, in the opinion of the directors, 東莞創維 is considered as a special purpose entity of the Group. Accordingly, 東莞創維 was consolidated in the consolidated financial statements of the Group for each of the two years ended 31 March 2008.

None of the subsidiaries had any debt securities outstanding at 31 March 2008 or at any time during the year.

46. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008	2007
	HK$ million	*HK$ million*
Investments in subsidiaries	**1,289**	1,178
Amounts due from subsidiaries	**1,935**	1,290
Other current assets	**1**	1
Other current liabilities	**–**	(1)
	3,225	2,468
Share capital	**229**	229
Share premium	**1,196**	1,194
Reserves	**1,800**	1,045
	3,225	2,468

Financial Summary

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
				(restated)	(restated)
Turnover	**13,939**	12,560	10,699	10,466	9,211
Cost of sales	**(10,955)**	(10,537)	(8,626)	(8,809)	(7,714)
Gross profit	**2,984**	2,023	2,073	1,657	1,497
Other income	**189**	97	100	74	38
Exchange gains	**191**	47	20	2	–
Reversal of provision against value added tax	**–**	–	–	161	–
Reversal of provision against the patent rights litigation	**–**	–	–	33	–
Selling and distribution expenses	**(1,969)**	(1,610)	(1,598)	(1,183)	(903)
General and administrative expenses	**(488)**	(419)	(263)	(373)	(211)
Change in fair value of derivative financial instruments	**(100)**	–	–	–	–
Allowance for loan to a jointly controlled entity	**–**	–	–	–	(3)
Impairment loss recognised in respect of available-for-sale investments	**(9)**	(3)	(3)	(3)	(2)
Impairment losses and provision for onerous contracts	**(153)**	23	(75)	(80)	(17)
Finance costs	**(122)**	(19)	(3)	(22)	(1)
Gain on disposal of subsidiaries	**60**	–	3	–	–
Write off of interest in an associate	**–**	–	–	(10)	–
Share of results of jointly controlled entities	**18**	8	1	(11)	(11)
Profit before taxation	**601**	147	255	245	387
Income taxes (expenses) credit	**(121)**	(19)	(39)	130	(47)
Profit for the year	**480**	128	216	375	340
Attributable to:					
Equity holders of the Company	**457**	128	216	376	330
Minority interests	**23**	–	–	(1)	10
	480	128	216	375	340

ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
				(restated)	(restated)
Total consolidated assets	**13,070**	8,659	7,573	7,745	5,520
Total consolidated liabilities	**(9,118)**	(5,396)	(4,485)	(4,821)	(2,945)
Net assets	**3,952**	3,263	3,088	2,924	2,575
Attributable to:					
Equity holders of the Company	**3,948**	3,263	3,088	2,924	2,567
Minority interests	**4**	–	–	–	8
	3,952	3,263	3,088	2,924	2,575

Financial Review

For the year ended 31 March

Amounts expressed in HK$ million (except for share data)

	2008	2007	2006	2005 (restated)	2004 (restated)
OPERATING RESULTS					
Turnover	**13,939**	12,560	10,699	10,466	9,211
Operating profit (EBIT)	**705**	158	257	288	399
Profit attributable to equity holders of the Company	**457**	128	216	376	330
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	**19.95**	5.59	9.53	16.79	15.3
Dividend per share	**19.87**	5.57	3.8	5.5	7.5
KEY STATISTICS					
Equity attributable to equity holders of the Company	**3,948**	3,263	3,088	2,924	2,567
Working capital	**2,572**	2,340	2,273	2,224	1,872
Cash position*	**3,259**	891	798	1,940	445
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**610**	324	166	4	7
Bills receivable	**4,403**	3,847	3,181	2,828	2,366
Trade receivables	**1,276**	649	517	357	248
Inventories	**1,913**	1,573	1,747	1,679	1,336
Capital expenditure**	**340**	351	444	136	250
Depreciation and amortisation	**161**	135	121	110	99
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**11.6**	3.9	7.0	12.9	12.9
Return on total assets (ROA) (%)	**3.5**	1.5	2.9	4.8	6.0
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**15.5**	9.9	5.4	0.1	0.3
Net debt to equity	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.3**	1.5	1.5	1.5	1.6
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	**115**	108	102	88	87
Inventories turnover period (days)***	**58**	58	72	62	60
Gross profit margin (%)	**21.4**	16.1	18.7	15.1	16.3
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**6.2**	2.3	3.5	3.8	5.5
Earnings before interest and taxation (EBIT) margin (%)	**5.1**	1.3	2.4	2.6	4.3
Profits margin (%)	**3.3**	1.0	2.0	3.6	3.6

* Cash position refers to bank balances and cash, including pledged bank deposits

** Capital expenditure represented the additions to property, plant and equipment and prepaid lease payments on land use rights

*** Calculated based on average inventory/average sum of bills receivable and trade receivables

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Xuebin
(Executive Chairman & Chief Executive Officer)
Ms. Ding Kai
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Yang Dongwen

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Mr. Xie Zhengcai

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen *(Chairman)*
Mr. Li Weibin
Mr. Xie Zhengcai

Executive Committee

Mr. Zhang Xuebin *(Chairman)*
Ms. Ding Kai
Mr. Guo Limin
Mr. Hu Zhaohui
Mr. Kuang Yubin
Mr. Le Yesheng
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Liu Tangzhi
Mr. Lu Rongchang
Mr. Wang Dehui
Mr. Yang Dongwen
Ms. Zhou Tong

Remuneration Committee

Mr. So Hon Cheung, Stephen *(Chairman)*
Mr. Leung Chi Ching, Frederick
Mr. Li Weibin
Mr. Xie Zhengcai

Nomination Committee

Mr. So Hon Cheung, Stephen *(Chairman)*
Mr. Leung Chi Ching, Frederick
Mr. Li Weibin
Mr. Xie Zhengcai

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Richards Butler

PRINCIPAL BANKERS

Bank of China Limited
China Construction Bank
China Merchant Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rooms 1601-04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-16 Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

http://www.skyworth.com