Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

Annual Report 2008/09

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

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Financial Highlights

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

	2009*	2008 (Restated)	Change
OPERATING RESULTS FROM CONTINUING OPERATIONS			
Turnover	**15,329**	13,629	+12.5%
Operating Profit (EBIT) from continuing operations	**700**	819	-14.5%
Profit from continuing operations	**460**	656	-29.9%
DISCONTINUED OPERATIONS			
Gain (loss) for the year from discontinued operation	**43**	(176)	+124.4%
Net Profit for the year	**503**	480	+4.8%
Profit attributable to equity holders of the Company	**460**	457	+0.7%
FINANCIAL POSITION			
Net cash from operating activities	**805**	572	+40.7%
Cash position**	**1,539**	3,259	-52.8%
Bank loans	**1,429**	3,135	-54.4%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**147**	610	-75.9%
Equity attributable to equity holders of the Company	**4,353**	3,952	+10.1%
Working capital	**2,911**	2,706	+7.6%
Bills receivable	**4,539**	4,403	+3.1%
Bills discounted with recourse	**1,157**	817	+41.6%
Trade receivables	**1,403**	1,276	+10.0%
Inventories	**1,267**	1,913	-33.8%
KEY RATIOS			
Gross profit margin	**20.3%**	22.0%	-1.7pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	**5.8%**	7.2%	-1.4pp
Profit margin	**3.0%**	3.4%	-0.4pp
Return on equity holders of the Company (ROE)	**10.6%**	11.6%	-1.0pp
Debt to equity***	**32.4%**	79.3%	-46.9pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements	**3.4%**	15.3%	-11.9pp
Net debt to equity	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.5**	1.3	+15.4%
Trade receivable turnover period (days)#	**138**	136	+1.5%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)#	**115**	117	-1.7%
Inventories turnover period (days)#	**47**	60	-21.7%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	**20.15**	19.95	+1.0%
Earnings per share – Diluted	**20.10**	19.87	+1.2%
Dividend per share	**8.0**	5.0	+60.0%
Dividend payout ratio – Basic	**39.7%**	25.1%	+14.6pp
Dividend payout ratio – Diluted	**39.8%**	25.2%	+14.6pp
Book value per share	**190.8**	172.4	+10.7%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,282**	2,293	-0.5%
Market capitalisation	**1,621**	1,697	-4.5%

* Except for otherwise stated, all ratios calculated above were based on continuing operations figures

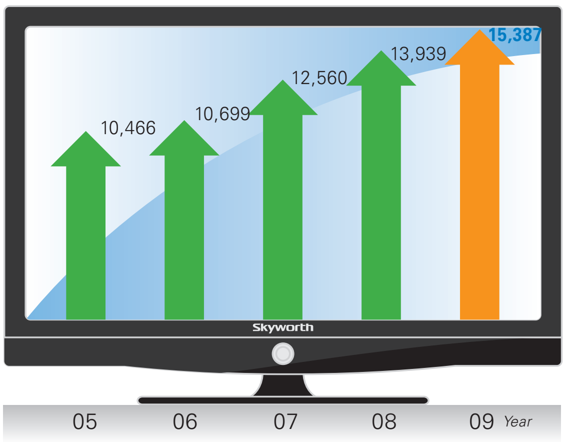
** Cash position refers to bank balances and cash, including pledged bank deposits of approximately HK$154 million

*** 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

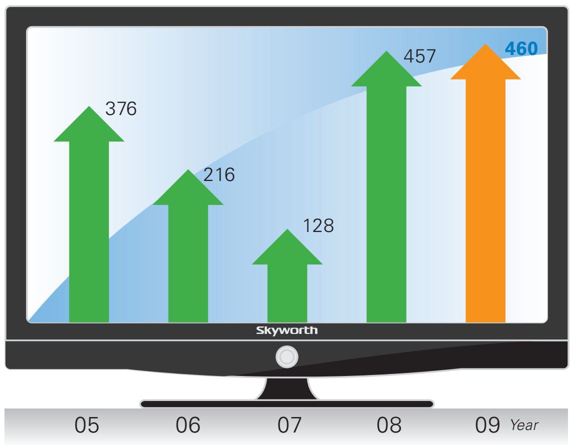
Turnover

(HK$ million)



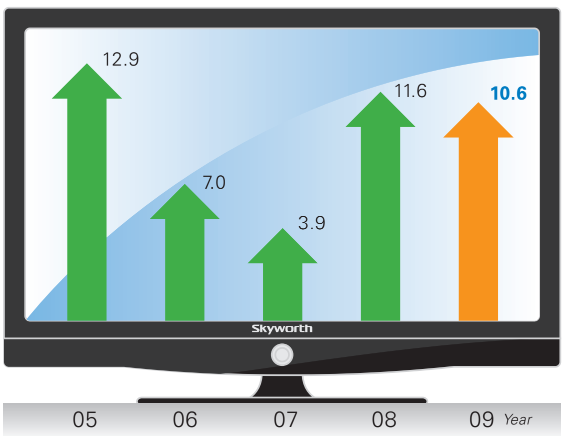
Profits Attributable to Equity Holders of the Company

(HK$ million)



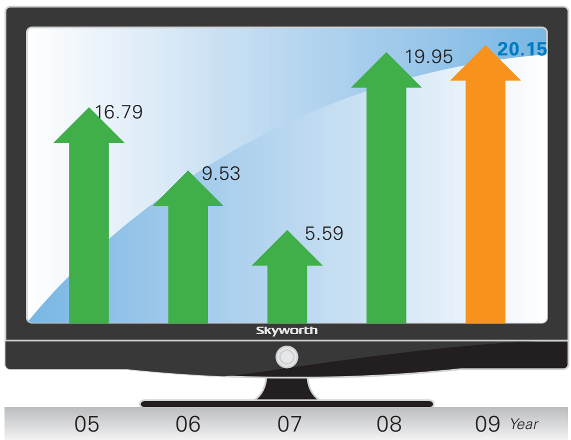
Return on Equity Holders of the Company (ROE)

(%)



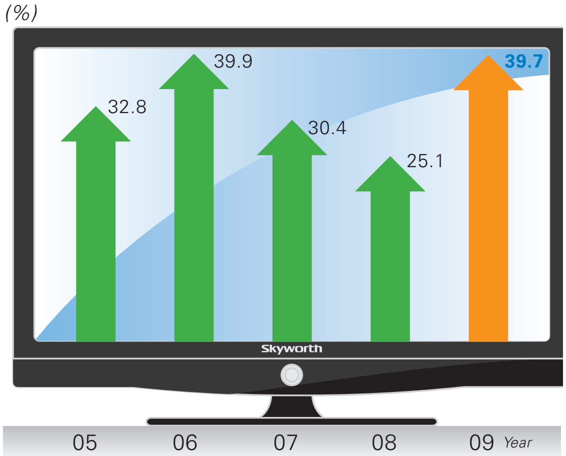
Earnings Per Share - Basic

(HK cents)



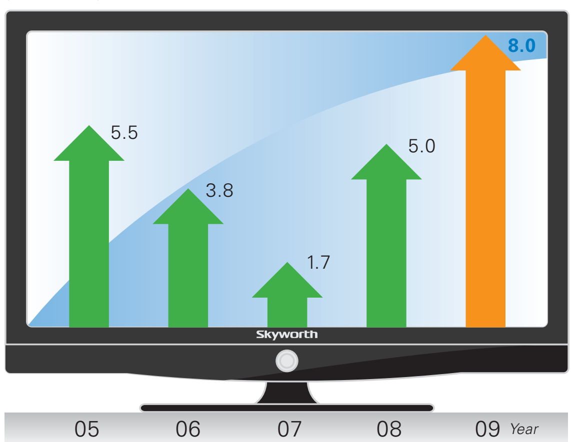
Payout Ratio

(%)



Dividend Per Share

(HK cents)



Letter from Executive Chairman and Chief Executive Officer

HIGHLIGHTS OF RESULTS

- Turnover from continuing operations reached HK$15,329 million (87.8% from mainland China market), an increase of 12.5% from that of previous year.
- Sales of TV products and digital set-top boxes accounted for 90.0% and 8.5% of the Group's total turnover from continuing operations respectively.
- Gross profit from continuing operations was HK$3,107 million, increased by 3.5%, and gross profit margin was 20.3%.
- Profits for the year after and before gain for the year from discontinued operation were HK$503 million and HK$460 million respectively.
- The Board has proposed a final cash dividend of HK7 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 39.7% for the whole year.

Zhang Xuebin
Executive Chairman and Chief Executive Officer

Letter from Executive Chairman and Chief Executive Officer

Dear shareholders, partners and other stakeholders:

The financial year ended 31 March 2009 (the "Reporting Year") is another challenging year for Skyworth.

During the Reporting Year, Skyworth continued to concentrate its main efforts and resources in the mainland China market.

RECORD HIGH RESULTS

Amid the unfortunate natural disasters happened in China and the global financial tsunami, the Group achieved another set of record high results in the Reporting Year.

The Group's turnover and profit for the Reporting Year have steadily increased to HK$15,329 million from HK$13,629 million and to HK$503 million from HK$480 million, respectively. These represented a healthy increase of 12.5% and 4.8%, respectively, as compared to those in the financial year ended 31 March 2008 (the "Previous Year"). The net assets of the Group as at 31 March 2009 increased to HK$4,404 million from HK$3,952 million as at 31 March 2008, representing an increase of 11.4% from the Previous Year. During the Reporting Year, the Group generated net cash from operating activities amounting to HK$805 million, represented an increase of HK$233 million or 40.7%, from the Previous Year.

The Group's record high results were mainly set by our China television ("TV") business and set-top box business units.

The China TV business unit had a blended average selling price of HK$1,961 per unit of TV in the Reporting Year, an increase of 14.5% from HK$1,712 in the Previous Year. Skyworth's TV with liquid crystal display panels ("LCD TV") was in number 1 position in terms of 12 months ended 31 March 2009 cumulative TV sales revenue and sales volume.

The set-top box business unit of the Group achieved growth in consecutive years. In the Reporting Year, its turnover was HK$901 million, a substantial increase of HK$199 million, or 28.3% from the Previous Year.

THE CURRENT FINANCIAL YEAR

In this financial year ending 31 March 2010 (the "Current Year"), the Group pursues healthy growth in its existing core business activities, and develops an optimum position in the market. A great substance to this synergy would be continued on a number of fronts. Priority is given to simplifying group structure and building up chain integration to intensify cooperation among business units, strengthening and professionalizing core businesses. Also, further expansion of related business development in appropriate scales builds a solid foundation to support core industry, enhancing ongoing product innovations; and creates new growth prospects, contributing to reserve and maximising shareholders' value. During global economic aggravation, activities lacking of synergy benefits or not aligning with Group strategy are divested to minimise spreading of risks.

In the Current Year, the Group strives for an annual target TV sales volume of 8.2 million units for this financial year with 6.2 million units for the mainland China market and 2 million units for the overseas market.

We expect increasingly fast shifting of CRT TV to LCD TV and stronger growth of LCD TV sale to third and fourth tier cities in mainland China. Skyworth's 40 branches and 169 sales offices are in position to capture the opportunity.

Letter from Executive Chairman and Chief Executive Officer

We also expect the growth of our set-top box business continues with increase of sales both in mainland China and overseas markets. The preparation work for the proposed spinning off of this business unit on the Shenzhen Stock Exchange is still in progress.

The Current Year is still full of challenges. Intense competition, rising panel prices and increasing operating costs would give us pressure continuously. Nevertheless, our track record proves that Skyworth have a strong endurance of negative factors and, at the same time, produces satisfactory results. We also see the following factors favourable to our Group's operations:

- the China government's policy to subsidise purchases of TV by households in countryside under a 4 year program which has been implemented nationwide in February 2009;
- the China government's policy to subsidise the trade-in of old TV with new one, the pilot program of which is expected to be launched shortly this year;
- continuous digitalisation of TV broadcasting in mainland China;
- relatively stable economic situation in mainland China amid the global financial crisis; and,
- increasing value of Skyworth brand.

The board of directors (the "Board") of the Company is fully confident that the Current Year will be another successful year for Skyworth.

RETURN TO OUR SHAREHOLDERS

One of the missions of the Board is to maximise the return of our shareholders. The Board has proposed a final dividend of HK7 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 39.7% for the whole year and the highest dividend declared ever since the Company listed its shares in 2000!

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions throughout the year.

I look forward to reporting to you another fruitful year in 2010.

Yours sincerely,

Zhang Xuebin
Executive Chairman and Chief Executive Officer
8 July 2009

Management Discussion and Analysis

BUSINESS PERFORMANCE REVIEW

(1) Turnover Analysis

For the year ended 31 March 2009, overall turnover reached a record of HK$15,329 million from continuing operations. Comparing to the prior year results of HK$13,629 million, the Group achieved double-digit growth of HK$1,700 million or 12.5%.

A portion of the steady growth was a result of the momentum driven by the China government's expansion of vast subsidy campaigns and monetary policies to counteract adverse impacts from potential severe global economic downturns. The government actions imposed a substantial turnaround effect on the Group's originally slipping overall television ("TV") sales volume immediately after the global financial crisis, attaining an increase of 9.0% from prior year's sales volume, and successfully surpassing the overall annual target by a projection of 1.7% than previously forecasted. The China TV sales volume reduced 2.6% as compared to the previous year, which was 3.7% less than the annual target of 6.5 million units. Sustaining from earlier this year, the overseas TV sales volume achieved a substantial growth of 46%, exceeding its annual target of 2.5 million units by 15.7%.

(2) Turnover Analysis by Geographical and Product Segments

(a) Mainland China Market

Turnover contributed from mainland China market for the year increased 10.3% from the previous year to HK$13,397 million, which represented 87.4% of total sales.

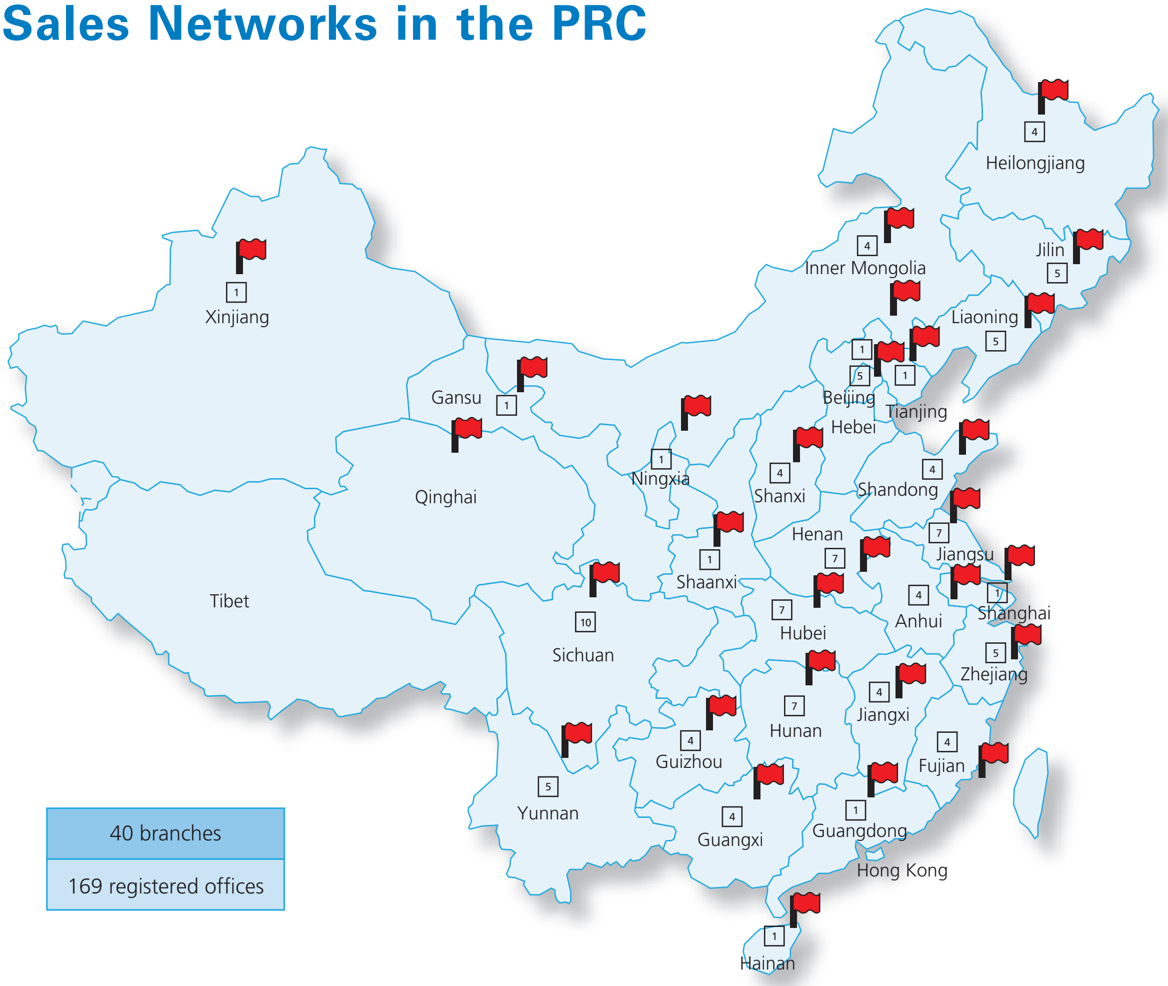
Mainland China is the core driving force behind the Group's growth. As the key players of this segment, China TV and digital set-top box business units accounted for 92.1% and 6.7% shares of total geographical turnover respectively. The remaining 1.2% consisted of non-core business units including liquid crystal display ("LCD") modules, electrical appliances, moulds and audio-visual businesses.

TV Products

Turnover of the Group's China TV sales for the year was HK$12,345 million, an increase of HK$1,091 million, or 9.7% from the previous year.

With rapid contraction in demands of cathode ray tubes ("CRT") TVs, new demands and replacements for LCD TVs shifting towards inland cities and towns improved product mix and set a clear path for the LCD TVs as mainstream products in the TV market. The continuous strong growth in LCD TV sales volume improved the China TV business unit's overall capability in generating higher turnover than previous year as LCD TVs had a higher blended average selling price than CRT TVs. The LCD TVs turnover raised HK$2,800 million, or 48.0% as compared to prior year. In the long run, the evolution in digital broadcasting placed nice footing for active high-end TV product development to endure technological advancements, reducing costs of manufacturing and operations.

Sales Networks in the PRC



Before and during the 2008 Beijing Olympics in early this year, the Group invested campaigns to upgrade brand value and build up corporate image. Large scales of promotional efforts stimulated remarkable sales revenue, seizing market share and gaining significant shares of domestic sales.

Compared to the previous year, flat-panel TVs recorded an increase of 115.3% in sales volume with a slightly lower average gross profit margin of 22.8%. High-end TV products recorded a remarkable growth of 28.5% to 3.5 million units, 37.9% of the total sales volume of TV products in the mainland China.

Based on All View Consulting Co., Ltd. ("AVC")'s China TV market survey covering 312 major cities and 3,308 retail terminals in mainland China, Skyworth reached number 1 position in terms of 12 months ended 31 March 2009 cumulative TV sales revenue and sales volume amidst fierce domestic and foreign brands competition, with market share of 12.5% and 15.7%, respectively. AVC is a subsidiary of China Video Industry Association, specializing in Chinese appliance market research. The Group's crucial strategy in the high-end TV market positioning continued to be one of the key success factors to its glory turnover and market share.

Under the "Home Appliances to the Countryside" policy, the Chinese government subsidised rural households to purchase designated home appliances to stimulate local consumption, alleviating the recent headwind of worldwide financial crisis on local economy. In the preliminary stage, 15 models of Skyworth TV products were qualified from the tendering process, in which direct benefited to effectively stimulate flat-panel TVs sales. With possible extension of the current limited scope, the four-year nationwide policy enables the Group to fully exploit its well established distribution and after sales service networks in the rural areas, which is a positive stimuli to the Group's mainland China TV sales volume and revenue.

Other key factors contributing to the improvement of TV products turnover include:

- allocating best resources to pioneer icon products, and ensuring products were well received by the market including the Group's most popular TV product, the second generation of CooCaa Multimedia TVs (the first "network content" TV available in the market);

- the accreditation of industrial awards, and overall consumer recognitions stimulating growth in sales revenue and upgrade in brand value;

- fully demonstrating abundant in entrepreneurial vitality through being one of the official sponsors of worldwide events such as the 2008 Beijing Olympics and other upcoming activities;

- strategic improvements on product pricing, product life cycle management, and distribution networking policies through vertical integration to facilitate effective chain support and cost controls, improving the overall competitiveness; and,

- deriving mutual benefits from maintaining strategic partnerships and pursuing business growth in collaboration to achieve overall improvement within the same industry.

Digital Set-top Boxes

Turnover of the Group's China digital set-top boxes for the year was HK$901 million, a substantial increase of HK$199 million, or 28.3% from the previous year.

As the digital TV market in mainland China expanding, Skyworth branded digital set-top boxes increased in popularity and earned an excellent market reputation, setting a glory footprint for rapid access to new markets. With material impacts from technological improvements and Renminbi appreciation, the Group set certain profit margin on basis of the falling raw material prices, and composited a competitive set of product pricing strategies in the new market. In addition, the business unit launched high-definition set-top box products to seize the domestic shares and met market needs during the 2008 Beijing Olympics, generating a substantial growth in sales.

LCD Module

Mature LCD technology and the rising popularity of LCD products created large-scale effects to lower overheads, providing a span for product pricing structure and profitability. The LCD module business unit repositioned and streamlined operations to facilitate prime resources management in further uplifting its flexibility, in harmony with its aim to strengthen its strategic relationships with leading global players as their OEM provider for LCD modules, as well to initiate the development of flat panel LCD module market. The transition caused a reduction on segmental turnover for the year by HK$12 million or 10.3% comparing with the previous year.

Mobile Phones

During the year, the Group completed targeted disposition of 80% equity interest in mobile business as disclosed in previous year's annual report. Details of disposition and related segmental result as a discontinued operation are set out in notes 41 and 13 to the consolidated financial statements, respectively, in the annual report.

(b) *Overseas Markets*

Turnover contributed from the overseas markets amounted to HK$1,865 million, equivalent to 12.2% of the total turnover for the year.

TV Products

Despite the financial turmoil during the fourth quarter, the overseas TV business unit turnover was justified by the sharp increase of such during the first three quarters. Turnover of the Group's overseas TV sales for the year was HK$1,454 million, accounting for 78.0% of overseas turnover.

Amidst deteriorating global economy led to order rescheduling, shifting demands towards higher-in-value LCD TVs entailed a product mix reform. The previous restructure in overseas TV business unit enhanced positioning in the rapid changing environment, and recognition from long-term relationships with international major TV brand names for first-rated OEM and ODM service under such evident transformation. During the year, the business unit entered a period of steady growth with increasing orders, causing an increase of 44.1% in turnover but a slightly reduced gross profit margin by 0.5 percentage points comparing to the previous year.

Digital Set-top Boxes

Turnover of the Group's overseas set-top boxes for the year was HK$408 million, accounted for 21.9% of overseas turnover. Overseas market development remained challenging mainly due to a slight slowdown of sales in Europe. Despite of the challenges, the Group's set-top boxes received better recognitions from corporate clients as many maintained continuity in procurements, which laid a fundamental guarantee to achieve sustained growth. Consequently, the segmental turnover decreased by 2.4%, while gross profit margin raised by 2.3 percentage points.

Turnover from Overseas Market by Geographical Distribution

	For the year ended 31 March 2009 (%)	For the year ended 31 March 2008 (%)
Asia (including Japan, Korea, Vietnam, etc.)	**19**	21
Europe	**30**	42
America	**38**	27
Middle East	**8**	4
Australia and New Zealand	**1**	1
Africa	**4**	5
	100	100

The global economic contraction caused major overseas customers to reposition market strategy during the second half of the year, shifting the export focus to the American market sector. Asia, Europe and America remained as the Group's major overseas markets during the year, contributing to 87% of the total overseas turnover. The turnover from markets including Africa, Middle East, Australia and New Zealand increased 3% from the previous year.

(3) Gross Margin

The overall gross margin for the year was 20.3%, representing a slight decline of 1.7 percentage points from that of the previous year.

(a) China Market

Although the Group recorded a continuous breakthrough in TV sales, it confronted tough competitions in retail pricing accorded to market appetite in reliance with rapid and drastic changes in LCD technologies. The Group executed vertical integration and strategic partnerships to lay a solid foundation, strengthening the production capacity and developing a viable cost structure to elevate the Group's competitiveness to become a winner in the market sector.

During the year, the Group exploited diversified incentive programs to expand mainstream and emerging distribution channels, as well technological upgrading to accelerate product launching to meet gradual broaden consumption appetites in order to gain a stable growth in turnover. Although the Group aimed on building up an industrial chain integration, along with other measures to control costs effectively to give span for gross margin, the selling price slipped, mainly due to strategic pricing policy, at a greater degree than the dropping product costs, the gross margin of the high-end TV products in the mainland China for the year slipped by an average of 1.4 percentage points.

The gross profit margin of set-top boxes in the mainland China edged up by 3.3 percentage points to 34.7%. The management precisely defined its strategy and direction in the market to concentrate resources on developing and launching profitable products with best efforts to avoid incurring extra costs. Maintaining good product quality and refined productivity also gave rise to the profitability.

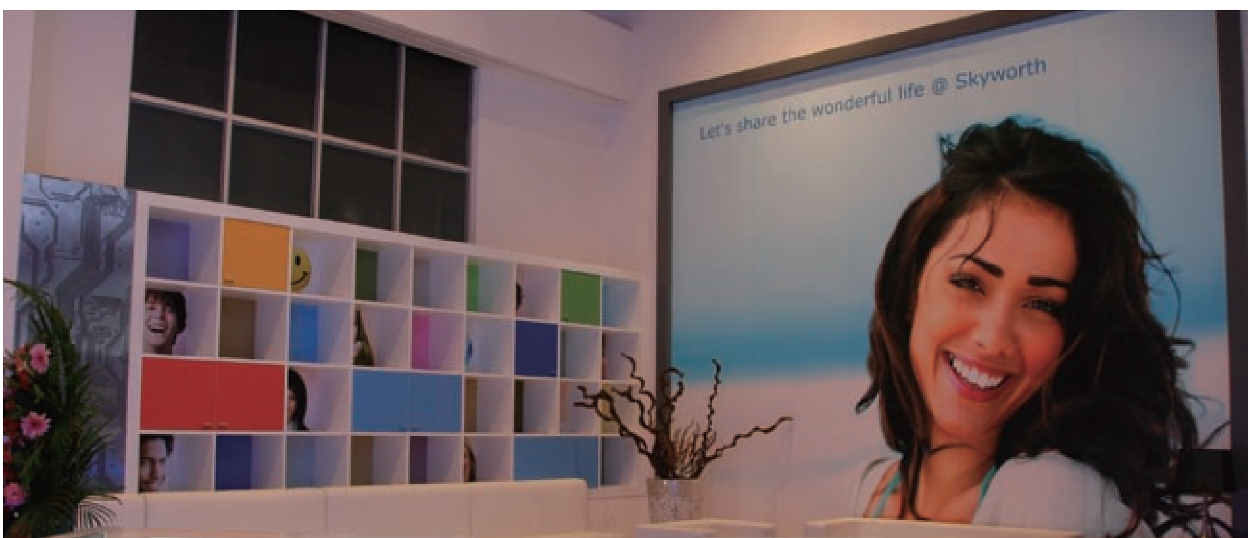
(b) Overseas Market

In the period of deteriorating market condition, the Group determined to concentrate on consistent market positioning strategy with consideration of maintaining business profits. Related courses of action made developments in turnover on leaps and bounds, reducing the impacts from unfavorable factors. During the year, the gross profit margin of overseas TV products by 0.6%; whereas the gross profit margin of overseas digital set-top boxes raised by 2.3%.

The Group is in the process of repositioning the overseas TV business unit to enable its sharing of resources with the China TV business unit in order to increase its overall efficiency.

(4) Selling and Distribution Expenses

The overall selling and distribution expenses ("S&D expenses") for the year was HK$2,178 million, up 13.2% from HK$1,925 million in the previous year. With comparison to turnover, the related ratio only raised by 0.1 percentage points. The S&D expenses comprised mainly brand promotion and marketing expenses, salaries of the sales and marketing personnel, and transportation expenses.



The overall expenditure for brand promotion and marketing activities was HK$825 million, up 28.7%, which relatively justified by the 10.3% increase in turnover. During the year, the Group launched target-oriented marketing campaigns to build up its brand image including three "ten-million" projects and "2008 Beijing Olympics Store Image Transformation" project in mainland China. Extra recruitment of promotional manpower, increased sales-performance pays and increased expenses in exhibition and image shops were rewarded by the remarkable annual growth of the Group's turnover.

The Group's commitment on product quality management reduced overall product warranty allowance and maintenance costs, enhancing stakeholders' welfare as well as brand's reputation in product reliability in the long run. Despite the gradually increasing staff costs partly due to the implementation of the new labour law in mainland China, the increase of 0.2 percentage points in S&D expenses to turnover ratio was relatively gentle, demonstrating the management's use of effective means to constrain such ratio.

(5) General and Administration Expenses

The general and administration ("G&A") expenses increased HK$78 million, or 16.7%, to HK$546 million. The G&A expenses to turnover ratio was a gentle increase from the previous year, from 3.4% to 3.6%.

Substantial increase in employee related costs were in association with the Group's effective remuneration packages to attract and retain the best human capital, as well as the Chinese government's new labour law implementation during the year. Other main factors contributing to the increase in G&A expenditure during the year were increasing research and development costs as well as costs to establish a series of action plans including:

- improvements on system efficiency with better production planning, resource coordination and execution;
- further safeguards of Group assets and raising risk awareness in the worsening business environment, ensuring sustainable business development in a healthy corporate atmosphere to create harmonious social relations; and
- establishment of a production design platform to enhance innovations on product functional modules, interfaces, and operating system in accords with industrial technologies.

The management adopted well spending practice to ensure the G&A expenses were for the benefits of the Group. The management regularly reviewed and updated controls and procedures to ensure cost objectives are achieved.

(6) Inventory Control

The net carrying value of inventories was down 33.8%, or HK$646 million, to HK$1,267 million as at the end of year.

Emphasis on effective inventory, logistics and supply-chain management to manage the risks of slow-moving and obsolete inventories is critical to success in the current environment with fast changing market appetite and unstable global economy. Such success in controls shielded resources for existing operations as well as for future opportunities within the Group's areas of expertise.

- **Shifting product mix** – as a result of market shifting from traditional CRT TVs to flat-panel TVs led to changes in production and storage structures. Rapid changes in flat-panel TV technology, causing price fluctuations manufacturing component, imposed a direct impact on inventory value.

- **Hastening sales from Beijing Olympics and government policies** – the 2008 Beijing Olympics enlightened the effects from advertising and promotion campaigns for high-end flat-panel TVs. Later on the year, China government intervention to robust local economy caused fast turnaround inventory to launch products quickly to meet surging market demands.

- **Effective logistics reform** – unified scattered warehouses in the mainland China with 40 regional distribution warehouses through outsourced logistics provider. This strategy collectively controlled product supplies according to sales performance, effectively monitored resources and speeded up product flow, greatly enhancing turnover of inventory to ensure smooth production and prevent risk of overstocking.

- **Inventory status as a factor of Key Performance Indicators ("KPI")** – assessed performance of business unit management by factors including inventory turnover days, raw material shortage ratio, and inventory provision to align the interests between each business unit and the Group as a whole.

As at 31 March 2009, the overall inventory turnover days was 47 days compared with 60 days from the previous year. The inventory turnover days for raw materials and finished goods were 14 days and 29 days respectively; while the turnover days were 17 days and 37 days respectively in the previous year.

(7) Trade Receivables and Bills Receivable

The Group had a total of HK$5,942 million trade receivables and bills receivable at the end of the year. Comparing to the previous year, trade receivables amounted HK$1,403 million, up by HK$127 million or 10.0%, whilst bills receivable amounted HK$4,539 million, up by HK$136 million or 3.1%. The main components of these receivables were TV products and set-top boxes, which accounted for 84.5% and 15.1% respectively.

TV business unit's rising trade and bills receivables was coherent with its increase in sales turnover, due to growth within the flat panel TVs market and relative higher unit price of flat panel TV products than traditional CRT TVs during the year. Comparing with the 12.5% rise in TV turnover, the mild increase of 1.2% in receivables reflected the Group's proven track record in good credit management.

The primary set-top box customers were cable operators under national, provincial and municipal broadcasters. Both long repayment terms for this special group of customers and larger scale of sales volume with 16.9% increase during the year accounted for reasonable growth ratio in trade and bills receivables.

(8) Trade Payables and Bills Payable

The Group had a total of HK$3,054 million in trade payables and bills payable, down by HK$649 million or 17.5%. Increasing penetration of the set-top box products necessitated large quantity procurements, driving up the payable balances. As TV product structure continuously concentrated towards flat-panel TV products and the costs of flat panel TV components fell significantly during the year, the dropping costs over-ridden factors gave rise to payables, and led to relatively lower payable balances.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net current assets for the year rose HK$205 million to HK$2,911 million, with total cash and bank balance of HK$1,385 million, comparing to HK$1,389 million from the previous year. The Group's pledged bank deposits for the year amounted to HK$154 million, comparing to HK$1,870 million from this previous year.

Fastening its pace to the dynamic changes in global market and government policies, the Group implemented effective management strategies in logistics and production capacity. These insights enhanced the Group's net cash inflow of operating activities amounted to HK$805 million for the year.

The Group maintained adequate levels of operating cash flows to endure business operation through internally generated funds and facilitated trade facilities obtained from banks and certain suppliers. The balances of the discounted bills with recourse went up from HK$817 million to HK$1,157 million. Such discounted bills receivable with recourse would be released upon maturity. Certain trade facilities and loans granted from various banks were secured by certain assets of the Group, including bank deposits of HK$154 million and certain of the Group's land and properties in the PRC and Hong Kong with net book value of HK$83 million.

The Group remained financial sounded with strong liquidity during the year. The gearing ratio of the Group for the year was 3.4%, calculated with reference to the total bank borrowings of HK$147 million and shareholders' fund of HK$4,353 million. Such bank borrowings excluded discounted bills with recourse and secured bank debts for foreign exchange arrangements amounted to HK$1,157 million and HK$125 million respectively. The ratio including the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements would be 32.8%.

As most of previous financial arrangements matured during the year, the amount of pledged bank deposits was significantly reduced. Other key financial ratios are included in Financial Highlights of this annual report.

TREASURY POLICY AND CASH FLOW MANAGEMENT

The Group had recognised HK$79 million in net foreign exchange gains during the year. Renminbi had been the main currency denomination for most of the Group's investments in the mainland China. Other currency denominations for the Group's assets and liabilities included Hong Kong dollars and US dollars.

As market anticipated gradual increase in Renminbi value, the Group maximised its foreign exchange gain in borrow in US dollars at predetermined forward rates and secured by Renminbi in equivalent amount in forms of fixed deposit arrangements. At the end of the year, most of such matured at HK$43 million gains to the Group. For details of arrangements, please refer to note 33 to the consolidated financial statements. In the long run, the Group monitors closely the foreign currency movement and interest rate movement to evaluate the needs of hedging activities as appropriated.

SIGNIFICANT INVESTMENTS AND ACQUISITION

Logistics efficiency rules delivery cost and time. Such positive influence striving improvements in inventory turnover and product profit margins gives tributes to open the threshold of a breakthrough on production capacity, giving rises in core competitiveness and reputation in the market. With aims to improve logistic efficiency and production capacity, the Group had invested HK$186 million in construction projects during the year, including the ongoing construction of Chengdu, Jiangxi and Nanjing logistic centers, and the Guangzhou and Shenzhen production plants situated in mainland China. To align with the Group's strategic vertical integration, HK$41 million was invested in jointly controlled businesses to perform professional upgrades on LCD module technologies and to ensure steady supplies in manufacturing components. In the coming years, HK$254 million would be allocated in the construction and machinery purchases of these plants and logistic centers.

In line with the steady development of business, the Group had also spent approximately HK$129 million on the Beijing and Chongqing office setup, Shenzhen office building renovation, as well as other plant and equipment acquisitions for business operations and expansion.

CONTINGENT LIABILITIES

There are no material contingent liabilities as at the end of the year. Disclosure of certain patent disputes is outlined in the note 45 to the consolidated financial statements in the annual report.

HUMAN RESOURCES CAPITAL

As at the end of the year, the Group recruited over 21,000 employees in China (including Hong Kong and Macau) including sales personnel throughout 40 branch offices and 169 sales offices to maintain an extensive and concrete human resources capital to balance the Group expansion.

Remuneration policy is under regular reviews, and is determined in accordance with relevant policies, market practices, competence and 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 year are disclosed in the Corporate Governance Report section in the annual report.

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 2009 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.

At present Mr. Zhang Xuebin ("Mr. Zhang") acts as both the executive chairman and the chief executive officer of the Company. 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 of directors of the Company (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 Company and its subsidiaries (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.

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 32 to 40 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.

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 three meetings during the year ended 31 March 2009. Of these, two meetings were held mainly for approving the 2007/08 final results and the 2008/09 interim results of the Company; the other meeting was held to consider 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.

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 2009, the EDs held 5 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 2009 are set out as follows:

	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	3/3	100%	5/5	100%
Ms. Ding Kai	3/3	100%	5/5	100%
Mr. Leung Chi Ching, Frederick	3/3	100%	5/5	100%
Ms. Lin Wei Ping	3/3	100%	5/5	100%
Mr. Yang Dongwen	3/3	100%	4/5	80%
Independent non-executive Directors:				
Mr. So Hon Cheung, Stephen	3/3	100%	N/A	N/A
Mr. Li Weibin	3/3	100%	N/A	N/A
Mr. Xie Zhengcai	3/3	100%	N/A	N/A

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 2009.

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 12 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 2009 to review, discuss and evaluate the monthly business performance and other business and operational matters of each major subsidiary within the Group.

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 2009. 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 2009 is set out as follows:

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 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 2009. 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 2008, and to discuss the work plan for the Remuneration Committee in this financial year.

The attendance of individual members at the meetings of the Remuneration Committee held during the year ended 31 March 2009 is set out as follows:

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 39 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.

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 15 and 16 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 of the Company (the "Head of Risk Management");
- to review the current financial reporting system to ensure the adequacy of resources, qualifications and experience of staff of accounting and financial reporting function of the Group, and their training programmes and budget;
- 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.

During the year ended 31 March 2009, the Audit Committee held two meetings, all of which were held with the chief financial officer and 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 2009.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2009 is set out as follows:

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%

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 2009, 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 comprehensive 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.

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 2009, 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.

(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.

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 credit assessment and goods delivery procedures, of the set-top box business unit for overseas market;
- followed up the rectification after the review and evaluation of the stocktake procedures, stock storage conditions and stock management of the Group;
- reviewed the materials to be provided to one of patent company, and evaluated the reasons of late submission of such materials and the impact to a major subsidiary;

- reviewed and evaluated the general control, after the change of accounting system of the China TV business unit; and

- provided suggestion to enhance the risk alert of royalty fee 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 carries out special audits when senior employees leaving their positions either due to resignations or job rotations within the Group. During the year, the Internal Audit Department also carried out the audit of certain major business units, in order to enhance the management and operational efficiency. 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 2009, the Internal Audit Department issued 100 reports to the Board and senior management on its regular reviews of operations and compliance audits of the sales offices and branches as well as certain business units. In addition, it issued 93 reports on senior employees leaving their positions.

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.

After the IA plan was finished in 2008, the Risk Management Department, by considering current status and future development of the Group, would submit a new internal audit plan yearly 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 2009 and the corresponding audit fees estimation.

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 2009 were as follows:

	For the year ended 31 March	
	2009	2008
Nature of services	**Amounts**	Amounts
	HK$'000	*HK$'000*
Audit service (including review of financial statements)	**8,515**	8,180
Tax related service	**129**	56
Total	**8,644**	8,236

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;

- the poll results are published on the website of Stock Exchange www.hkexnews.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

EXECUTIVE DIRECTORS

Mr. Zhang Xuebin, aged 46, is an executive director and the chief executive officer of the Company, and has been elected by the board as 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. 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 2009, 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 50 to 57 of this annual report.

Ms. Ding Kai, aged 74, is an executive director of the Company, a director of certain subsidiaries of the Company, and chairperson of 深圳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 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, the senior management 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 2009, 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 50 to 57 of this annual report.

Mr. Leung Chi Ching, Frederick, aged 51, is an executive director, the chief financial officer and company secretary of the Company. Mr. Leung joined the Group as director of finance on 20 December 2004 and has been re-designated as chief financial officer of the Company with effect from 8 January 2007. He is also a director and/or company secretary of certain subsidiaries of the Company. Mr. Leung is mainly responsible for overseeing the finance functions, corporate governance matters, investor relationship and third party intellectual property right 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 26 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 2009, 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 50 to 57 of this annual report.

Ms. Lin Wei Ping, aged 51, 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 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 purchasing department and 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 relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 March 2009, 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 50 to 57 of this annual report.

Mr. Yang Dongwen, aged 44, is an executive director and the director of certain subsidiaries of the Company. He is currently the president of Shenzhen Chuangwei-RGB Electronics Co., Ltd. and the China TV 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 the vice president and the director of Skyworth Digital Group Limited. Mr. Yang joined the Group in May 1998 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 the vice president of the Group. Mr. Yang left the Group in August 2003 for 2 years working for a textile company in Beijing 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 2009, 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 50 to 57 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Hon Cheung, Stephen, aged 53, 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.

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 2009, 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 50 to 57 of this annual report.

Mr. Li Weibin, aged 48, 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 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 USA. 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 24 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 2009, 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 50 to 57 of this annual report.

Mr. Xie Zhengcai, aged 46, 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 2009, Mr. Xie has no interest in the shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Lu Rongchang

Aged 63, joined the Group in May 2006, and is the chief technical officer of the Company, the vice president of China TV business unit of the Group, 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 15 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 46, joined the Group in 1998 and is the general manager of Skyworth Sales China Regional Headquarters, the vice president of China TV business unit of the Group and also 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.

Mr. Wang Dehui

Aged 53, 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 is 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 26 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. Kuang Yubin

Aged 42, joined the Group in February 2007, and is the president of Skyworth Overseas Development Limited and 創維多媒體（深圳）有限公司, the vice president of China TV business unit of the Group and 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 16 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 39, 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. Guo Limin

Aged 51, joined the Group in July 1999, and is the director of Skyworth Digital Group Limited, the head of the legal affairs department of the Company, the chairman of the supervisory committee of Shenzhen Skyworth Digital Technology Company Limited and also director of certain subsidiaries of the Company. Prior to that, Mr. Guo was the assistant to the Chairman and the head of the administration department of the Company. Mr. Guo graduated from the Southwest University of Political Science & Law in Chongqing with a bachelor degree in law, and is admitted to practice law in the PRC. Before joining the Group, Mr. Guo had worked in the Southwest University of Political Science & Law and has experience in the field of legal affairs and administration.

Ms. Dong Ning

Aged 32, joined the Group in 1999, is the head of the administration department of the Group in mainland China, in charge of the project centre, commercial, statistics, administration of the Group. Ms. Dong holds a bachelor degree in economics of Lanzhou University and a master degree in business administration of Hong Kong Baptist University. Ms. Dong has experience in administration, human resources, planning and organising of large-scale business activities and events.

Ms. Zhou Tong

Aged 41, 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 Shenzhen Skyworth Digital Technology Company Limited. Now she is one of the board member of Skyworth Holdings Limited, the general manager of corporate strategy, partnership and investment, 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 21 years of working experience in various business management areas a crossed auto parts, consumer electronics, and services industries. Her 16 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.

Mr. Huang Ligui

Aged 32, 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 also the 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. Li Xiaofang

Aged 46, joined the Group in 2000, and is the president and general manager of Skyworth LCD Modules (Shenzhen) Co., Ltd. Mr. Li graduated from Shaanxi University of Technology with a bachelor degree in mechanical engineering in 1984; and graduated from Xi'an Jiaotong University with a master of management engineering in 1986.

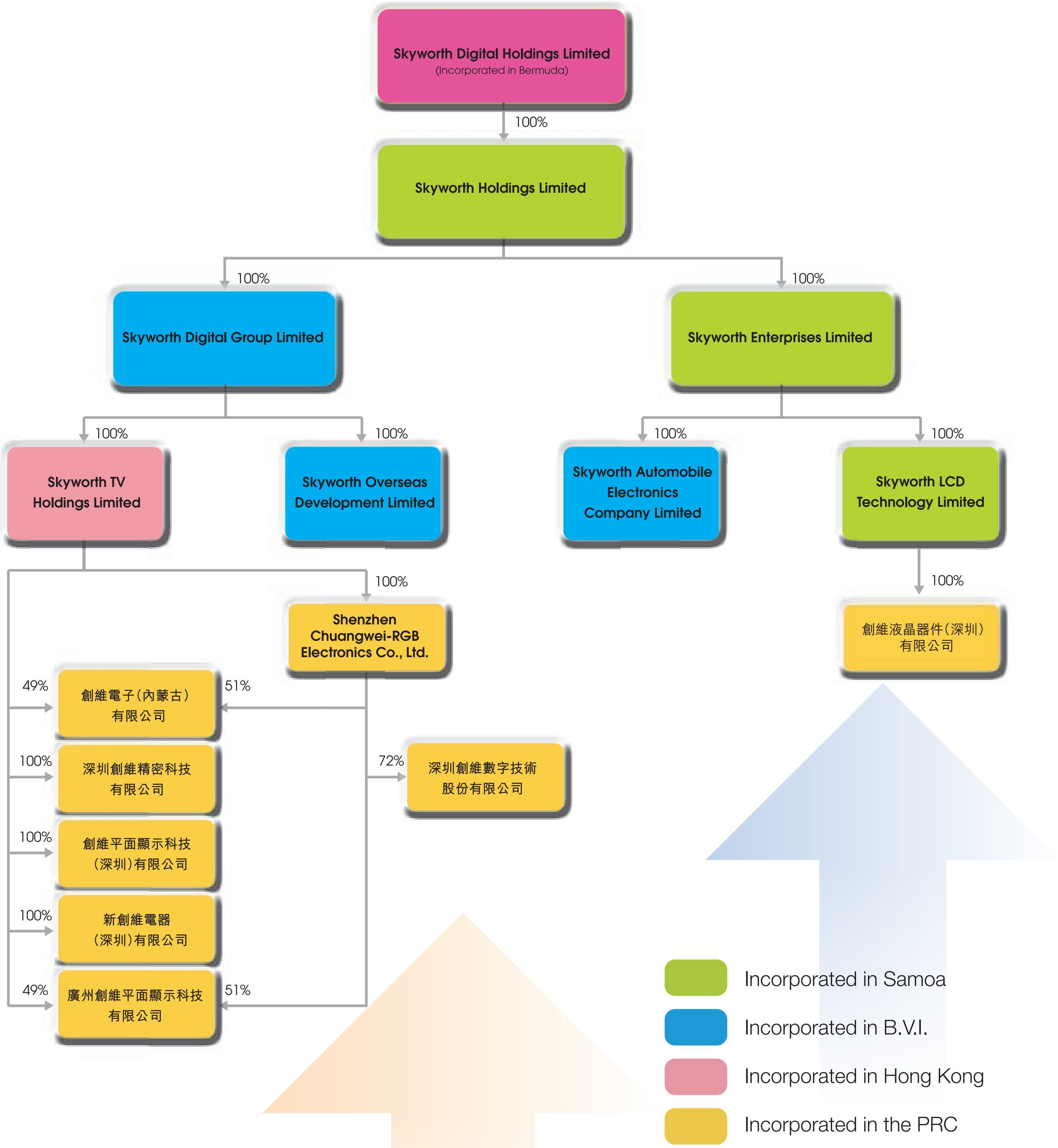
Mr. Li has dedicated to business management teaching, research and practice for over 20 years. He has owned a number of national monographs and national scientific and technological achievements.

Ms. Shao Meifang

Aged 53, joined the Group in 2002, is the general manager of Skyworth Group Property Management Limited, the chief officer of capital construction headquarters, and director of certain subsidiaries of the Company. Ms. Shao graduated from Suzhou Vocational University major in economic management. In the year of 2006, she completed the course of operating real estate business administration from the Research Institute of Tsinghua University. She holds the qualification of China senior commerce operator. Before joining the Group, Ms. Shao has nearly 20 years of working experience in star-rated hotels and investing development companies acting as deputy general manager, general manager and other management positions, respectively.

Corporate Structure

Simplified corporate structure diagram



Investor Relations

A YEAR IN THE TUNNEL

2007/08 was an excellent year for Skyworth with a set of historical high results achieved but it did not make the job of investor relations ("IR") smoother in 2008/09 while the core Chinese television ("TV") business faced tumbling TV with liquid crystal display panel price and aggressive foreign players especially in the first half of the year as well as the financial tsunami. Same as other small and mid-cap stocks in Hong Kong, Skyworth entered into the tunnel though there has been no change on our strong balance sheet, the role as a market leader in China TV industry, deeply discounted to net asset value and undervalued share price.

NON-DEAL ROADSHOWS

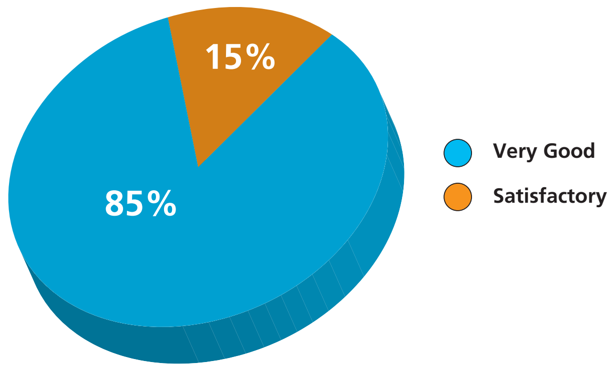
Amid a year of global financial turmoil, the management was still dedicated to our IR practice to stay in touch with perspective investors and shareholders though the investment sentiment was extremely weak. The management trusts IR is a continuous and proactive networking activity which always enhances the valuation of the company in a long run. After the annual results announcement in July, 2008, we went on roadshows in Hong Kong, Singapore and Tokyo in August 2008. During 13 to 17 October, 2008, we visited Europe covering London, Milan, Geneva and Stockholm, and the demand of meetings was more overwhelming than our expectation. The United States had been taken out from the itinerary last year due to the weak investor demands and our fallen market capitalization came off from the radar of major institutional investors.

LOST STEAM

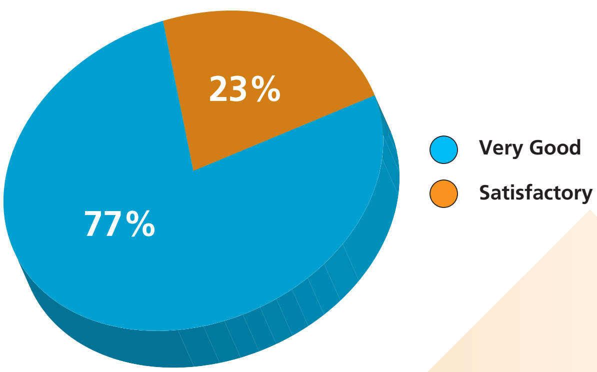
The economic recovery signals remained uncertain and the equities market remained inactive in the first quarter of 2009. It was understood that active response or interests were hardly received for any IR efforts. The Group has not been invited to join any investment conference usually taken place in China and Tokyo. In addition, we temporarily cease organising roadshow after 2008/09 interim results announcement in December, 2008 in an attempt to save cost. On another hand, conference calls and emails with our database became more frequently used to maintain communication and corporate transparency.

Feedback summary from investors in non-deal roadshows in Europe (13-17 October, 2008)

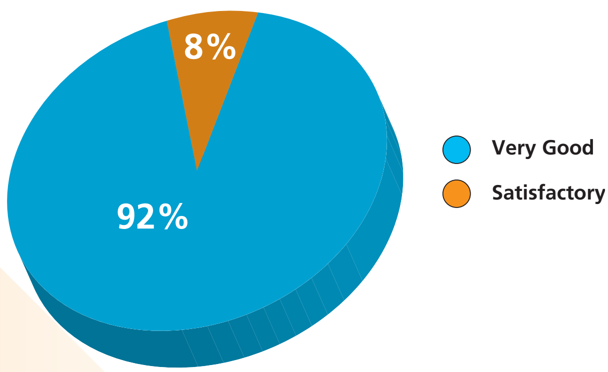
Overall impression



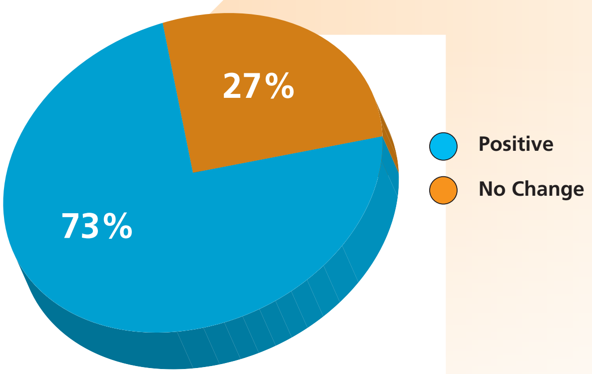
Presentation materials



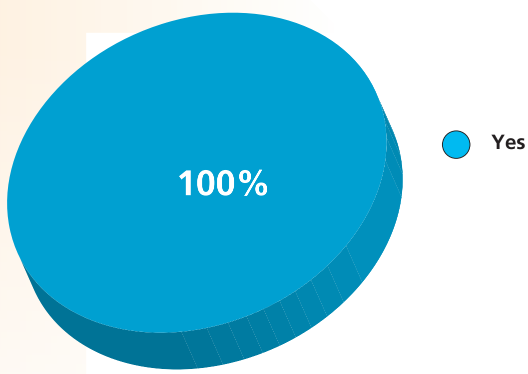
Q&A



What was your view on the Company after the meeting?



Are you interested in the next IR meeting?



ANNOUNCEMENT MORE FRUITFUL

"Skyworth Spotlight", the bi-monthly e-newsletters distributed to our database pointing out the recent development about the Group as well as the consumer electronics industry was merged into the monthly company announcement of TV sales volume. Shareholders and analysts appreciate for the more fruitful and comprehensive insight.

CALENDAR OF MAJOR IR ACTIVITIES

April 2008 – March 2009

Time	Events
April 2008	20th anniversary ceremony and 2008/09 new products show – Investors tour
July 2008	2007/08 annual results announcement • *Analysts presentation, webcasting and conference calls* • *Press conference* • *Post-result Hong Kong roadshow arranged by Daiwa Securities SMBC Hong Kong*
August 2008	Post annual results Tokyo and Singapore roadshows arranged by Daiwa Securities SMBC
September 2008	2007/08 annual general meeting & press briefing
October 2008	• *Post annual results Europe roadshow arranged by Daiwa Securities SMBC Europe (London – Milan – Geneva – Stockholm)*
November 2008	Investors & media plant visits
December 2008	2008/09 interim results announcement • *Analysts presentation, webcasting and conference calls* • *Press conference* • *Post-result Hong Kong roadshow*
January – March 2009	Regular investor meetings and conference calls

Directors' Report

The directors of Skyworth Digital Holdings Limited (the "Company") (the "Directors") have pleasure in presenting their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 March 2009.

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 48 and 21 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 63 of the annual report.

An interim dividend of HK1 cent (2008: HK0.5 cent) per share amounting to HK$23 million was paid to the shareholders on 12 February 2009. The Directors now recommend the payment of a final dividend of HK7 cents (2008: HK4.5 cents) per share to the shareholders on the register of members of the Company on 14 September 2009, estimated to be HK$160 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 155 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 29% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 41% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 22% 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$186 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$44 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 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 38 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 2009 amounted to approximately HK$1,603 million (2008: HK$1,727 million).

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$12 million.

DIRECTORS

The Directors 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, Ms. Ding Kai, Mr. Li Weibin and Mr. Xie Zhengcai 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out in pages 32 to 40 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 31.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 46 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2009, 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 2009, certain Directors 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	37.13%
	Held by spouse	*(Note b)*	55,621,612	2.44%
		(Note c)	906,066,145	39.70%
Ding Kai	Beneficial owner		11,000,000	0.48%
Yang Dongwen	Beneficial owner		7,000,000	0.31%
Zhang Xuebin	Beneficial owner		8,442,600	0.37%
So Hon Cheung, Stephen	Beneficial owner		100,000	0.00%

Notes:

(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.

(b) Ms. Lin Wei Ping is deemed to be interested in 55,621,612 ordinary shares of the Company, being the interests held beneficially by her spouse, Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is deemed to be interested in 906,066,145 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 39 to the consolidated financial statements.

(ii) As at 31 March 2009, 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	34,000,000
Yang Dongwen	Beneficial owner	27,000,000
Ding Kai	Beneficial owner	9,000,000
Leung Chi Ching, Frederick	Beneficial owner	8,000,000
Lin Wei Ping	Beneficial owner	4,000,000
So Hon Cheung, Stephen	Beneficial owner	1,000,000
Li Weibin	Beneficial owner	1,000,000
		84,000,000

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

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year *(Note)*	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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)*

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year *(Note)*	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
Directors: *(continued)*								
Zhang Xuebin *(continued)*								
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
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	750,000	–	–	750,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	750,000	–	–	750,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	750,000	–	–	750,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	750,000	–	–	750,000

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 2008	Granted during the year *(Note)*	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	500,000	–	–	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	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
	HK$				*(Note)*			
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
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	500,000	–	–	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 2008	Granted during the year (Note)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	500,000	–	–	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 2008	Granted during the year *(Note)*	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	500,000	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	500,000	–	–	500,000
				73,000,000	11,000,000	–	–	84,000,000

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

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

Note: The following share options were granted by the Company during the year ended 31 March 2009:

(i) 3,000,000 share options were granted to eligible persons as defined in 2002 Share Option Scheme (The closing share price of the Company's shares on 1 April 2008, the trading day preceding the date of grant of the said share options, was HK$0.69);

(ii) 8,900,000 share options were granted to eligible persons as defined in 2002 Share Option Scheme (The closing share price of the Company's shares on 18 April 2008, the trading day preceding the date of grant of the said share options, was HK$0.81);

(iii) 40,550,000 share options were granted to eligible persons as defined in 2008 Share Option Scheme (The closing share price of the Company's shares on 5 November 2008, the trading day preceding the date of grant of the said share options, was HK$0.40); and

(iv) 400,000 share options were granted to eligible persons as defined in 2008 Share Option Scheme (The closing share price of the Company's shares on 25 November 2008, the trading day preceding the date of grant of the said share options, was HK$0.40).

Other than the share options stated above, no share options had been granted by the Company to the other participants pursuant to 2000 Share Option Scheme, 2002 Share Option Scheme and 2008 Share Option Scheme of the Company during the year ended 31 March 2009.

(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 39 to the consolidated financial statements.

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 2009.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBENTURES

Other than the interests in share options of the Company disclosed above, and in the share option scheme disclosed in note 39 to the consolidated 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 2009.

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 2009, 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	37.13%
HSBC International Trustee Limited	Trustee	*(Note b)*	847,382,922	37.13%
Wong Wang Sang, Stephen	Beneficial owner		55,621,612	2.44%
	Held by spouse	*(Note c)*	850,444,533	37.26%
			906,066,145	39.70%
Winnington Capital Limited			144,544,000	6.33%

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 2009.

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

At at 31 March 2009, the Company purchased a total of 11,472,000 of its listed shares on the Stock Exchange at an aggregate consideration of HK$9,736,020. Details of the repurchases are summarised as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate Consideration
		HK$	*HK$*	*HK$*
April 2008	2,000	0.72	0.72	1,440
May 2008	11,470,000	0.88	0.76	9,734,580
	11,472,000			9,736,020

All of the shares repurchased were cancelled during the year ended 31 March 2009 and the issued share capital of the Company was reduced by the par value thereof. The shares were repurchased to enhance the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had 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 2009.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2009 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 auditor of the Company.

On behalf of the Board

Zhang Xuebin
Executive Chairman and
Chief Executive Officer
8 July 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS 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 63 to 153, which comprise the consolidated balance sheet as at 31 March 2009, 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.

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.

Independent Auditor's Report

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 2009 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
8 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

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

	NOTES	**2009**	2008
Continuing operations			
Turnover	*7*	**15,329**	13,629
Cost of sales		**(12,222)**	(10,627)
Gross profit		**3,107**	3,002
Other income	*9*	**236**	185
Exchange gains		**79**	191
Selling and distribution expenses		**(2,178)**	(1,925)
General and administrative expenses		**(546)**	(468)
Change in fair value of derivative financial instruments	*33*	**29**	(100)
Impairment loss recognised in respect of available-for-sale investments		**(2)**	(9)
Other impairment losses	*14*	**(25)**	(57)
Finance costs	*10*	**(125)**	(122)
Gain on disposal of partial interest in a subsidiary	*11*	**–**	60
Share of results of jointly controlled entities		**9**	18
Profit before taxation		**584**	775
Income taxes	*12*	**(124)**	(119)
Profit for the year from continuing operations		**460**	656
Discontinued operation			
Gain (loss) for the year from discontinued operation	*13*	**43**	(176)
Profit for the year	*14*	**503**	480
Attributable to:			
Equity holders of the Company		**460**	457
Minority interests		**43**	23
		503	480
Dividends			
Paid	*17*	**126**	39
Proposed	*17*	**160**	103
Earnings per share (expressed in HK cents)			
From continuing and discontinued operations			
Basic	*18*	**20.15**	19.95
Diluted	*18*	**20.10**	19.87
From continuing operations			
Basic	*18*	**18.26**	27.63
Diluted	*18*	**18.22**	27.53

Consolidated Balance Sheet

At 31 March 2009

Amounts expressed in HK$ million

	NOTES	**2009**	2008
Non-current assets			
Property, plant and equipment	*19*	**1,433**	1,282
Prepaid lease payments on land use rights	*20*	**234**	227
Interests in jointly controlled entities	*21*	**113**	59
Interest in an associate	*22*	**–**	–
Other receivable	*23*	**84**	–
Available-for-sale investments	*24*	**29**	39
Prepayment		**20**	27
Deferred tax assets	*25*	**31**	7
		1,944	1,641
Current assets			
Inventories	*26*	**1,267**	1,913
Prepaid lease payments on land use rights	*20*	**5**	5
Trade and other receivables	*27*	**1,759**	1,808
Bills receivable	*28*	**4,539**	4,403
Amounts due from minority shareholders	*29*	**1**	12
Amounts due from jointly controlled entities	*29*	**9**	29
Pledged bank deposits	*30*	**154**	1,870
Bank balances and cash	*30*	**1,385**	1,389
		9,119	11,429
Current liabilities			
Trade and other payables	*31*	**4,322**	5,169
Bills payable	*32*	**191**	105
Obligation arising from put option written to minority interests	*11*	**24**	24
Derivative financial instruments	*33*	**1**	106
Provision for warranty and onerous contracts	*34*	**36**	102
Amounts due to jointly controlled entities	*35*	**12**	1
Tax liabilities		**125**	105
Secured bank borrowings	*36*	**1,429**	3,052
Deferred income	*37*	**68**	59
		6,208	8,723
Net current assets		**2,911**	2,706
Total assets less current liabilities		**4,855**	4,347

Consolidated Balance Sheet

At 31 March 2009

Amounts expressed in HK$ million

	NOTES	**2009**	2008
Non-current liabilities			
Obligation arising from put option written to minority interests	*11*	**154**	134
Provision for warranty	*34*	**31**	33
Secured bank borrowings	*36*	**–**	83
Deferred income	*37*	**201**	102
Deferred tax liabilities	*25*	**65**	43
		451	395
NET ASSETS		**4,404**	3,952
Capital and Reserves			
Share capital	*38*	**228**	229
Share premium		**1,188**	1,196
Share option reserve		**84**	73
Investment revaluation reserve		**3**	13
Surplus account		**38**	38
Capital reserve		**202**	178
Exchange reserve		**487**	408
Accumulated profits		**2,123**	1,813
Equity attributable to equity holders of the Company		**4,353**	3,948
Minority interests		**51**	4
		4,404	3,952

The consolidated financial statements on pages 63 to 153 were approved and authorised for issue by the board of directors on 8 July 2009 and are signed on its behalf by:

Zhang Xuebin	**Leung Chi Ching, Frederick**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

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 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 shares under share option scheme	–	2	–	–	–	–	–	–	2	–	2
Dividend paid *(note 17)*	–	–	–	–	–	–	–	(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 2009

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
Deficit on revaluation of available-for-sale investments	-	-	-	(10)	-	-	-	-	(10)	-	(10)
Exchange differences arising on translation to Group's presentation currency	-	-	-	-	-	-	92	-	92	2	94
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	-	-	-	-	-	-	(6)	-	(6)	-	(6)
(Expense) income recognised directly in equity	-	-	-	(10)	-	-	86	-	76	2	78
Profit for the year	-	-	-	-	-	-	-	460	460	43	503
Reserves released upon disposal of subsidiary	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Total recognised (loss) profit for the year	-	-	-	(10)	-	-	79	460	529	45	574
Recognition of equity-settled share based payments	-	-	11	-	-	-	-	-	11	-	11
Transfer to capital reserve	-	-	-	-	-	24	-	(24)	-	-	-
Issue of shares under scrip dividend scheme	-	1	-	-	-	-	-	(1)	-	-	-
Shares repurchased and cancelled	(1)	(9)	-	-	-	-	-	-	(10)	-	(10)
Dividend paid *(note 17)*	-	-	-	-	-	-	-	(125)	(125)	-	(125)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	2	2
Balance at 31 March 2009	228	1,188	84	3	38	202	487	2,123	4,353	51	4,404

Notes:

(a) Surplus account as at 31 March 2009 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 2009 represented The People's Republic of China (the "PRC") statutory reserves of HK$202 million (2008: HK$178 million). Pursuant to the relevant PRC regulations and the Articles of Association of the PRC subsidiaries of the Company, 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 2009

Amounts expressed in HK$ million

	2009	2008
OPERATING ACTIVITIES		
Profit before taxation	**627**	601
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	**5**	4
Change in fair value of derivative financial instruments	**(29)**	100
Depreciation and amortisation of property, plant and equipment	**181**	159
Dividend income	**(4)**	(9)
Fair value adjustment upon initial recognition of trade receivables	**28**	–
Fair value adjustment upon initial recognition of other receivable	**29**	–
Finance costs	**125**	122
Gain on disposal of a subsidiary	**(43)**	–
Gain on disposal of partial interest of a subsidiary	**–**	(60)
Impairment loss recognised in respect of available-for-sale investments	**2**	9
Impairment loss on trade receivables	**11**	34
Imputed interest income from trade receivables	**(8)**	–
Imputed interest income from other receivable	**(4)**	–
Interest income from bank deposits	**(57)**	(42)
Loss on disposal of property, plant and equipment	**2**	7
Provision for warranty	**38**	77
(Reversal of) provision on onerous contracts	**(8)**	52
Share-based payment expenses	**19**	18
Share of results of jointly controlled entities	**(9)**	(18)
Write-down of inventories	**–**	67
Operating cash flows before movements in working capital	**905**	1,121
Decrease (increase) in inventories	**613**	(334)
Increase in trade and other receivables	**(13)**	(650)
Increase in bills receivable	**(45)**	(161)
Decrease in amounts due from minority shareholders	**11**	–
Decrease (increase) in amounts due from jointly controlled entities	**20**	(18)
Increase in amount due to a jointly controlled entity	**11**	–
(Decrease) increase in trade and other payables	**(802)**	545
Increase in bills payable	**107**	73
Increase in deferred income	**110**	81
Cash from operations	**917**	657
PRC income tax paid	**(112)**	(85)
NET CASH FROM OPERATING ACTIVITIES	**805**	572

Consolidated Cash Flow Statement

For the year ended 31 March 2009
Amounts expressed in HK$ million

	NOTE	2009	2008
INVESTING ACTIVITIES			
Dividend received		**4**	9
Interest received		**84**	15
Purchase of property, plant and equipment		**(315)**	(219)
Prepaid lease payments on land use rights		**(7)**	(121)
Proceeds on disposal of property, plant and equipment		**5**	1
Proceeds on disposal of partial interest in a subsidiary		**–**	144
Disposal of a subsidiary	*41*	**(2)**	–
Cash investment in jointly controlled entities		**(41)**	–
Increase in other receivable		**(109)**	–
Purchase of available-for-sale investments		**(2)**	(5)
Decrease (increase) in pledged bank deposits		**1,692**	(1,805)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**1,309**	(1,981)
FINANCING ACTIVITIES			
Interest paid		**(187)**	(78)
Dividends paid		**(125)**	(39)
Contribution from minority shareholders		**2**	–
Issue of shares for cash		**–**	2
Repurchase of shares		**(10)**	–
Repayment of loans		**(2,507)**	(1)
New bank loans		**332**	1,856
Net funds arising from discounted bills with recourse		**280**	141
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(2,215)**	1,881
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(101)**	472
CASH AND CASH EQUIVALENTS AT 1 APRIL		**1,389**	826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**97**	91
CASH AND CASH EQUIVALENTS AT 31 MARCH represented by bank balances and cash		**1,385**	1,389

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

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

The Company's functional currency is Renminbi. The consolidated financial statements are presented in Hong Kong dollars ("HKD") as the directors consider that HKD is the appropriate presentation currency as the management of the Company control and monitor the performance and financial position of the Group by using HKD.

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories and property holding. In prior years, the Group was also engaged in the design, manufacture and sale of mobile phones. That operation was discontinued in current year (see note 13). Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 48 and 21 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the annual reporting period beginning on 1 April 2010. HKAS 27 (revised) will affect the accounting treatment for changes in the Group'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 anticipate 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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.

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.

Properties which 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, and the portion of properties rent out under operating lease cannot be sold out separately (or cannot be leased out separately under a finance lease), are 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 when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interest in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of the associate equals or exceeds its interest in that associate, 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 associate.

Where a group entity transacts with the associate of the Group, profits and losses are eliminated to the extent of the Group's interest in that associate.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 or 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 shall be 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 financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 other receivable, trade and other receivables, bills receivable, amounts due from minority shareholders, amounts due from jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on 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.

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 affected.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial 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)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

Derivative financial instruments that are not designated and effective as hedging instruments are classified as held for trading.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Obligation arising from put option on shares of a subsidiary written to minority interests *(continued)*

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.

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 expires. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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. In the case which the employment ceases before the completion of service period, any unamortised balance of the prepayment are written off to the consolidated income statement immediately.

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.

Where goods are sold on instalment basis, the fair value of sales proceeds is determined by discounting the sales proceeds with instalment terms using the effective interest rate for other similar credit arrangement. The difference between the fair value and the nominal value of sales proceeds is initially recognised in the consolidated income statement as a reduction of sales proceeds and subsequently allocated to the consolidated income statement as financial income using the effective interest rate over the interest-free period.

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 Group's rights to receive payment have been established.

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.

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

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.

Disposal of partial interests in a subsidiary

As disclosed in note 11, the disposal of partial interests in a subsidiary to employees and independent third parties in the prior year included 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 that 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 were satisfied that the significant risks and rewards have been transferred and that recognition of the gain on disposal in the prior year was 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. For the year ended 31 March 2009, no allowance (2008: HK$67 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. The directors believe that there will not be a material change in the 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. During the year ended 31 March 2009, impairment loss of HK$11 million (2008: HK$34 million) is made on trade receivables. The impairment loss calculations contain uncertainties because management is required to make assumptions and to apply judgment regarding historical settlement experience, debt aging, financial status of customers and general economic conditions. The directors believe that there will not be a material change in the 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, additional impairment loss may have to recognise.

Provision for warranty

Being an industry practice, the Group provides three years product warranty to its customers depending on product type, under which faulty products are repaired or replaced. During the year ended 31 March 2009, provision for warranty of HK$52 million (2008: HK$77 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.

Deferred income from licensing brand and trademark

As disclosed in note 41, the Group disposed of its subsidiary operating in mobile phones business in the current year. Included in the sale and purchase agreement, the Group agreed to licence to the purchasers, without charge, the right to use the "Skyworth" brand and trademark in respect of mobile telephone products for a period of five years. Due to the unsatisfactory performance of the mobile telephone business in recent years, the directors consider the proceeds of disposal attributable to the right to use of brand and trademark, which should be accounted for as deferred income in the Group's balance sheet, is insignificant. The valuation estimate involves judgement and assumptions made by the management based on their expertise knowledge and experience in the mobile business.

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 36, 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 periodically. As part of this review, the directors of the Company 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

	2009	2008
	HK$ million	*HK$ million*
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**7,657**	9,152
Available-for-sale financial assets	**29**	39
Financial liabilities		
Liabilities at amortised cost	**5,626**	8,095
Derivative financial instruments	**1**	106

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivable, 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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk

The Group's sales in the PRC represents over 88% (2008: 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 and Renminbi. 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding certain bank borrowings denominated in United States dollars and foreign currency forward contracts, as disclosed in note 33, at the reporting date are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
United States Dollars ("US$")	**291**	465	**374**	643
Hong Kong Dollars ("HK$")	**27**	50	**37**	42

As disclosed in note 33, 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 them 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$. The following table only details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against Renminbi ("RMB"). 5% is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items excluding certain foreign currency loans and the relevant forward foreign exchange contracts as disclosed above and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, bank deposits and balances, trade and other payables, bills payable as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ or HK$ weakens 5% against RMB. For a 5% strengthening of US$ or HK$ against RMB, there would be an equal and opposite impact on the profit for the year.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

Currency risk sensitivity analysis *(continued)*

	2009	2008
	HK$ million	*HK$ million*
Profit for the year		
US$ against RMB	**4**	9
HK$ against RMB	**1**	–

In management's opinion, the sensitivity analysis is unrepresentative 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.

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its secured bank borrowings are subject to floating interest rates (see note 36 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 is exposed to fair value interest rate risk in relation to its fixed-rate bank borrowings (see note 36 for details of the borrowings).

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 People's Bank of China base rate against the Group's RMB 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$1 million (2008: HK$2 million).

6. FINANCIAL INSTRUMENTS *(continued)*

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

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.

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 utilization 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 2009, the Group has available unutilised bank borrowing facilities of approximately HK$3,072 million (2008: HK$1,530 million).

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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 31.3.09
	%	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2009							
Non-derivative financial liabilities							
Trade and other payables	–	2,354	1,237	225	–	3,816	3,816
Obligation arising from put option written to minority interest	–	24	–	–	168	192	178
Bills payable	–	53	69	69	–	191	191
Amounts due to jointly controlled entities	–	12	–	–	–	12	12
Secured bank borrowings – variable rate	1.88	193	552	560	–	1,305	1,304
Secured bank borrowings – fixed rate	1.56	–	–	127	–	127	125
		2,636	1,858	981	168	5,643	5,626
Derivatives settled net							
Foreign exchange forward contracts	–	–	–	1	–	1	1

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 31.3.08
	%	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
2008							
Non-derivative financial liabilities							
Trade and other payables	–	2,466	1,383	847	–	4,696	4,696
Obligation arising from put option written to minority interest	–	24	–	–	164	188	158
Bills payable	–	24	26	55	–	105	105
Amounts due to jointly controlled entities	–	1	–	–	–	1	1
Secured bank borrowings – variable rate	6.40	164	692	503	84	1,443	1,420
Secured bank borrowings – fixed rate	6.07	–	13	1,810	–	1,823	1,715
		2,679	2,114	3,215	248	8,256	8,095
Derivatives settled net							
Foreign exchange forward contracts	–	–	1	105	–	106	106

(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 33, 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. An analysis of the Group's turnover for the year is as follows:

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Sales of TV products	**13,799**	12,262	**–**	–	**13,799**	12,262
Sales of digital set-top boxes	**1,309**	1,121	**–**	–	**1,309**	1,121
Sales of mobile phones	**–**	–	**58**	310	**58**	310
Sales of other electronic products	**155**	197	**–**	–	**155**	197
Property rental income	**66**	49	**–**	–	**66**	49
	15,329	13,629	**58**	310	**15,387**	13,939

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
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. The Group was also involved in the design, manufacture and sale of mobile phones. That operation was discontinued on 13 January 2009 (see note 13).

8. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

	Continuing operations						Discontinued operation	
	TV products HK$ million	Digital set-top boxes HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million	Mobile phones HK$ million	Total HK$ million
For the year ended 31 March 2009								
Turnover								
External sales and rental income	13,799	1,309	155	66	–	15,329	58	15,387
Inter-segment sales and rental income	20	–	147	37	(204)	–	–	–
Total	13,819	1,309	302	103	(204)	15,329	58	15,387

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

	TV products HK$ million	Digital set-top boxes HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million	Mobile phones HK$ million	Total HK$ million
Results								
Segment results	514	192	29	24	–	759	–	759
Interest income						69	–	69
Unallocated corporate income less expenses						(128)	–	(128)
Finance costs						(125)	–	(125)
Gain on disposal of subsidiary						–	43	43
Share of results of jointly controlled entities						9	–	9
Profit before taxation						584	43	627
Income taxes						(124)	–	(124)
Profit for the year						460	43	503
As at 31 March 2009								
Assets								
Segment assets	7,425	1,042	144	643	–	9,254	–	9,254
Interests in jointly controlled entities								113
Unallocated corporate assets								1,696
Total consolidated assets								11,063
Liabilities								
Segment liabilities	4,195	542	60	32	–	4,829	–	4,829
Unallocated corporate liabilities								1,830
Total consolidated liabilities								6,659
Other information for the year ended 31 March 2009								
Capital expenditure on								
– Property, plant and equipment	298	9	8	–	–	315	–	315
– Prepaid lease payments for land	–	7	–	–	–	7	–	7
	298	16	8	–	–	322	–	322
Amortisation of prepaid lease payments on land use rights	4	–	–	1	–	5	–	5
Depreciation and amortisation of property, plant and equipment	120	6	15	40	–	181	–	181
Impairment loss recognised in respect of available-for-sale investments	–	–	2	–	–	2	–	2
Write-down (write-back) of inventories	18	1	(5)	–	–	14	(14)	–
Reversal of provision on onerous contracts	–	–	–	–	–	–	(8)	(8)

8. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Continuing operations						Discontinued operation	
	TV products HK$ million	Digital set-top boxes HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million	Mobile phones HK$ million	Total HK$ million
For the year ended 31 March 2008								
Turnover								
External sales and rental income	12,262	1,121	197	49	–	13,629	310	13,939
Inter-segment sales and rental income	16	–	33	24	(74)	(1)	1	–
Total	12,278	1,121	230	73	(74)	13,628	311	13,939

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

	TV products HK$ million	Digital set-top boxes HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million	Mobile phones HK$ million	Total HK$ million
Results								
Segment results	789	233	(71)	28	–	979	(174)	805
Interest income						42	–	42
Unallocated corporate income less expenses						(142)	–	(142)
Finance costs						(122)	–	(122)
Share of results of jointly controlled entities						18	–	18
Profit before taxation						775	(174)	601
Income taxes						(119)	(2)	(121)
Profit for the year						656	(176)	480
As at 31 March 2008								
Assets								
Segment assets	7,919	844	166	665	–	9,594	112	9,706
Interests in jointly controlled entities								59
Unallocated corporate assets								3,305
Total consolidated assets								13,070
Liabilities								
Segment liabilities	4,998	359	64	58	–	5,479	250	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	–	219
– Prepaid lease payments for land	107	–	14	–	–	121	–	121
	300	7	33	–	–	340	–	340
Amortisation of prepaid lease payments on land use rights	4	–	–	–	–	4	–	4
Depreciation and amortisation of property, plant and equipment	115	5	11	26	–	157	2	159
Impairment loss recognised in respect of available-for-sale investments	6	–	3	–	–	9	–	9
Write-down (write-back) of inventories	(12)	(1)	36	–	–	23	44	67
Provision on onerous contracts	–	–	–	–	–	–	52	52

8. SEGMENT INFORMATION *(continued)*

Geographical segments

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

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
PRC	**13,463**	12,196	**33**	164	**13,496**	12,360
Asia region (Other than PRC)	**346**	306	**25**	146	**371**	452
Europe	**575**	600	**–**	–	**575**	600
Other regions	**945**	527	**–**	–	**945**	527
	15,329	13,629	**58**	310	**15,387**	13,939

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, analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment, and prepaid lease payments on land use rights	
	2009	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
PRC	**8,878**	9,104	**315**	310
Asia region (Other than PRC)	**73**	130	**1**	22
Europe	**85**	196	**1**	3
Other regions	**218**	276	**5**	5
Total segment assets	**9,254**	9,706	**322**	340
Interests in jointly controlled entities	**113**	59		
Unallocated corporate assets	**1,696**	3,305		
Total consolidated assets	**11,063**	13,070		

9. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Other income comprises:						
Dividend income from						
available-for-sale investments	**4**	9	**–**	–	**4**	9
Government grants	**15**	24	**–**	–	**15**	24
Interest income from bank deposits	**57**	42	**–**	–	**57**	42
Imputed interest income from						
– trade receivables	**8**	–	**–**	–	**8**	–
– other receivable	**4**	–	**–**	–	**4**	–
Refund of value added tax	**47**	38	**–**	–	**47**	38
Others	**101**	72	**9**	4	**110**	76
	236	185	**9**	4	**245**	189

10. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Interest on bank borrowings wholly						
repayable within five years	**109**	120	**–**	–	**109**	120
Imputed interest expenses on						
obligation arising from put option						
written to minority interests	**16**	2	**–**	–	**16**	2
	125	122	**–**	–	**125**	122

11. GAIN ON DISPOSAL OF PARTIAL INTEREST IN 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 approximated 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 represented fair value of future services to be rendered by the Employees was charged to profit or loss on a straight-line basis over the contractual service period of five years and was recognised as prepayment.

(b) On 20 November 2007, RGB entered into sale 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 dividends per annum.

The gain on disposal of the partial interest in the subsidiary was 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 of partial interest of a subsidiary	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.

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

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 upon initial recognition of the obligation.

Movement in the obligation arising from put option written to minority interests is as follows:

	2009 ***HK$ million***	2008 *HK$ million*
At the beginning of the year	**158**	–
Arising on disposal of partial interest in a subsidiary	**–**	156
Imputed interest expenses for the year	**16**	2
Exchange realignment	**4**	–
At the end of the year	**178**	158
Analysis as:		
Current liabilities	**24**	24
Non-current liabilities	**154**	134
	178	158

12. INCOME TAXES

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
The income taxes charge comprises:						
PRC income tax						
Current year	**125**	118	**–**	2	**125**	120
Under provision in prior years	**7**	1	**–**	–	**7**	1
	132	119	**–**	2	**132**	121
Deferred taxation *(note 25)*						
Current year	**(7)**	(1)	**–**	–	**(7)**	(1)
Attributable to a change in tax rate	**(1)**	1	**–**	–	**(1)**	1
	(8)	–	**–**	–	**(8)**	–
	124	119	**–**	2	**124**	121

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made as the relevant entities comprising the Group have no assessable profits derived from or arising in Hong Kong for both periods presented.

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.

12. INCOME TAXES *(continued)*

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui【2008】No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax liability of HK$54 million (2008: nil) on the undistributed earnings of subsidiaries has been charged to the consolidated income statement for the year.

Details of deferred taxation are set out in note 25.

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

	2009	2008
	HK$ million	*HK$ million*
Profit (loss) before taxation		
Continuing operations	**584**	775
Discontinued operation	**43**	(174)
	627	601
Tax at applicable tax rate at 15% *(Note)* (2008: 15%)	**94**	90
Tax effect of expenses not deductible for tax purpose	**25**	22
Tax effect of income not taxable for tax purpose	**(10)**	(21)
Underprovision in prior years	**7**	1
Tax effect of tax losses not recognised	**34**	48
Utilisation of tax losses previously not recognised	**(8)**	–
Deductible temporary difference not recognised	**3**	15
Tax effect of share of results of jointly controlled entities	**(1)**	(3)
Effect of tax exemptions granted by the PRC tax authorities	**(57)**	(42)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in PRC other than Hong Kong	**2**	2
Deferred tax on undistributed earnings of PRC subsidiaries	**22**	–
Tax effect of changes in tax rate	**(1)**	1
Others	**14**	8
Income taxes for the year	**124**	121

Note: The applicable tax rate is with reference to the statutory tax rate of the Company's principal subsidiary, which is approved as New-High Technology Enterprise by relevant government authority and is enjoying preferential tax rate of 15%.

13. DISCONTINUED OPERATION

During the year, the Group discontinued the business in the design, manufacture and sale of mobile phones upon the disposal of 80% equity interest in 創維移動通信技術（深圳）有限公司 (see note 41). Accordingly, the business segments of the design, manufacture and sales of mobile phones are classified as discontinued operation for the year ended 31 March 2009.

The gain (loss) for the year from the discontinued operation is analysed as follows:

	2009	2008
	HK$ million	*HK$ million*
Loss on discontinued operation for the year	**–**	(176)
Gain on disposal of discontinued operation	**43**	–
	43	(176)

The results of the discontinued operation for the period from 1 April 2008 to the effective date of disposal together with comparative figures, which have been included in the consolidated income statement, are as follows:

	2009	2008
	HK$ million	*HK$ million*
Turnover	**58**	310
Cost of sales	**(60)**	(328)
Gross loss	**(2)**	(18)
Other income	**9**	4
Selling and distribution expenses	**(14)**	(44)
General and administrative expenses	**(15)**	(20)
Other impairment losses	**14**	(44)
Reversal of (provision for) onerous contracts	**8**	(52)
Loss before taxation	**–**	(174)
Income taxes	**–**	(2)
Loss for the year	**–**	(176)

During the year, the discontinued operation does not contribute significant cash flows to the Group.

The carrying amounts of the assets and liabilities of the companies comprising the discontinued operation at the date of disposal are disclosed in note 41.

14. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Profit for the year has been arrived at after charging (crediting):						
Auditors' remunerations	**8**	7	**–**	–	**8**	7
Cost of inventories recognised as an expense	**12,167**	10,599	**60**	328	**12,227**	10,927
Depreciation and amortisation of property, plant and equipment	**181**	157	**–**	2	**181**	159
Exchange losses	**16**	68	**–**	–	**16**	68
Fair value adjustment upon initial recognition of trade receivables from sales on instalment basis	**28**	–	**–**	–	**28**	–
Fair value adjustment upon initial recognition of other receivable included in general and administrative expenses	**29**	–	**–**	–	**29**	–
Other impairment losses *(Note)*:						
– Impairment losses on trade receivables	**11**	34	**–**	–	**11**	34
– Write-down (write-back) of inventories	**14**	23	**(14)**	44	**–**	67
	25	57	**(14)**	44	**11**	101
(Reversal of) provision for onerous contracts	**–**	–	**(8)**	52	**(8)**	52
Loss on disposal of property, plant and equipment	**2**	7	**–**	–	**2**	7
Operating lease rentals in respect of land and buildings	**46**	50	**–**	–	**46**	50
Release of prepaid lease payments on land use rights	**5**	4	**–**	–	**5**	4
Rental income from leasing of properties less related outgoings of HK$55 million (2008: HK$28 million)	**(11)**	(21)	**–**	–	**(11)**	(21)
Share of income taxes of jointly controlled entities	**2**	2	**–**	–	**2**	2
Staff costs:						
Directors' emoluments *(note 15)*	**27**	32	**–**	–	**27**	32
Research and development related staff costs	**70**	61	**5**	9	**75**	70
Others	**1,045**	897	**8**	18	**1,053**	915

14. PROFIT FOR THE YEAR *(continued)*

Note:

For the year ended 31 March 2008, the amounts mainly represented 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 in prior year. The management decided that the recoverability of its accounts receivable is doubtful and the net realisable value of the remaining inventories was insignificant, full impairment was made for all receivables and inventories of the division in 2008.

For the year ended 31 March 2009, the management reviews the net realisable value of the existing inventories and estimated selling prices of respective models of its mobile phones operation, and reassesses the provision for onerous contracts previously made; provision for inventories of HK$14 million and provision for onerous contracts of HK$8 million have been reversed in consolidated income statement during the year.

15. DIRECTORS' EMOLUMENTS

	2009	2008
	HK$ million	*HK$ million*
Directors' fees	**1**	1
Other emoluments		
Basic salaries and allowances	**7**	7
Retirement benefits scheme contributions	**–**	–
Performance related incentive payments *(Note)*	**15**	18
Share-based payments	**4**	6
	27	32

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

No directors waived any emoluments in both years ended 31 March 2009 and 31 March 2008.

15. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid or payable to each of the directors of the Company for the year ended 31 March 2009, 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	–	2,629	–	8,597	1,214	12,440
Ding Kai	–	617	–	–	602	1,219
Leung Chi Ching, Frederick	–	1,600	12	1,520	582	3,714
Lin Wei Ping	–	840	36	–	211	1,087
Yang Dongwen	–	1,599	9	4,418	1,228	7,254
	–	7,285	57	14,535	3,837	25,714
Independent non-executive directors:						
So Hon Cheung, Stephen	480	–	–	–	33	513
Li Weibin	480	–	–	–	33	513
Xie Zhengcai	204	–	–	–	–	204
	1,164	–	–	–	66	1,230
Total directors' emoluments	1,164	7,285	57	14,535	3,903	26,944

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company, whose emoluments are included in note 15 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 2009 were as follows:

	2009	2008
	HK$ million	*HK$ million*
Basic salaries, allowances and benefits in kind	**8**	8
Retirement benefit scheme contributions	**1**	1
Performance related incentive payments *(Note)*	**17**	21
Share-based payments	**4**	7
	30	37

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	
	2009	2008
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$12,000,001 to HK$12,500,000	**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 2009.

17. DIVIDENDS

		2009	2008
		HK$ million	*HK$ million*
(a)	Dividends paid during the year:		
	Final dividend paid for the year ended 31 March 2008:		
	HK4.5 cents (2008: HK1.2 cents for 2007) per share *(Note)*	**103**	28
	Interim dividend paid for the year ended 31 March 2009:		
	HK1.0 cent (2008: HK0.5 cent) per share	**23**	11
		126	39
(b)	Dividends attributable to the year:		
	Interim dividend declared and paid of HK1.0 cent (2008: HK0.5 cent) per share	**23**	11
	Final dividend proposed after the balance sheet date of		
	HK7.0 cents (2008: HK4.5 cents) per share	**160**	103
		183	114

The proposed final dividend of HK7.0 cents per share is declared on 8 July 2009. Such final dividend is satisfied by way of scrip dividend by an allotment of new shares of the Company to be credited 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 2009.

Note: During the year, share dividends alternatives were offered in respect of the 2008 final dividends as follows:

	2009	2008
	HK$ million	*HK$ million*
Dividends:		
Cash	**102**	28
Scrip dividends	**1**	–
	103	28

18. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2009	2008
	HK$ million	*HK$ million*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**460**	457
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,283,395,524**	2,291,056,144
Effect of dilutive potential ordinary shares in respect of – Share options outstanding	**5,498,066**	8,487,129
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,288,893,590**	2,299,543,273

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 market price per share.

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2009	2008
	HK$ million	*HK$ million*
Earnings:		
Profit for the year attributable to equity holders of the Company	**460**	457
Adjusted for:		
(Gain) loss for the year from discontinued operation	**(43)**	176
	417	633

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is HK1.89 cents per share (2008: loss of HK7.68 cents per share) and diluted earnings per share for the discontinued operation is HK1.88 cents per share (2008: loss of HK7.66 cents per share), based on the profit for the year from the discontinued operation of HK$43 million (2008: loss of HK$176 million) and the denominators detailed above for both basic and diluted earnings per share.

19. 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 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
Exchange realignment	22	1	16	5	44
Additions	14	186	44	71	315
Reclassification	121	(134)	17	(4)	–
Disposals	–	–	(12)	(32)	(44)
Disposal of a subsidiary	–	–	–	(8)	(8)
At 31 March 2009	**1,216**	**94**	**911**	**263**	**2,484**
DEPRECIATION AND AMORTISATION					
At 1 April 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
Exchange realignment	4	–	10	2	16
Provided for the year	47	–	73	61	181
Eliminated on disposals	–	–	(5)	(32)	(37)
Disposal of a subsidiary	–	–	–	(4)	(4)
At 31 March 2009	**217**	**–**	**689**	**145**	**1,051**
CARRYING VALUES					
At 31 March 2009	**999**	**94**	**222**	**118**	**1,433**
At 31 March 2008	893	41	235	113	1,282

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

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%

Included in leasehold land and building of the Group are certain properties with carrying value of approximately HK$106 million (2008: HK$105 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 comprise:

	2009	2008
	HK$ million	*HK$ million*
Leasehold land and buildings:		
In the PRC held under		
– long term leases	**149**	26
– medium-term leases	**42**	48
	191	74
In Hong Kong held under long term leases	**29**	30
	220	104
Buildings:		
In the PRC held under medium-term leases	**779**	789
	999	893
Construction in progress:		
In the PRC held under medium-term leases	**94**	41
	1,093	934

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2009	2008
	HK$ million	*HK$ million*
Carrying amount at 1 April	**232**	104
Additions	**7**	121
Released during the year	**(5)**	(4)
Exchange realignment	**5**	11
Carrying amount at 31 March	**239**	232
Analysed for reporting purposes as:		
Non-current assets	**234**	227
Current assets	**5**	5
	239	232

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

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009 HK$ million	2008 HK$ million
Cost of unlisted investments	**118**	77
Share of post-acquisition profits, losses and exchange reserve, net of dividends received	**(5)**	(18)
	113	59

The following lists the jointly controlled entities of the Group as at 31 March 2009 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of all 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 systems
深圳大雁科技實業有限公司	Equity joint venture	PRC	RMB50,590,000	39.69%	Manufacture and sales of electronic components
Skyworth TTG Holdings Limited	Equity joint venture	HK	HK$1,942,750	50%	IT professional services and investment holding
廣州視景顯示技術研發有限公司	Equity joint venture	PRC	RMB25,000,000	50%	Research and development of LCD technology and TV sets; provision of technical service and rental of equipment.

The Group exercises joint control over the financial and operating policies of these companies with other joint venture partners in accordance with joint venture agreements, and accordingly, these companies have been accounted for as jointly controlled entities.

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

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

Share of assets and liabilities attributable to the Group

	2009	2008
	HK$ million	*HK$ million*
Non-current assets	**59**	34
Current assets	**118**	97
Current liabilities	**(64)**	(72)
	113	59

Share of results attributable to the Group

	2009	2008
	HK$ million	*HK$ million*
Total revenue	**136**	119
Total expenses	**(127)**	(101)
	9	18

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:

	2009	2008
	HK$ million	*HK$ million*
Unrecognised share of losses of jointly controlled entities for the year	**4**	11
Accumulated unrecognised share of losses of jointly controlled entities	**38**	34

22. INTEREST IN AN ASSOCIATE

	2009	2008
	HK$ million	*HK$ million*
Cost of unlisted investments	**6**	–
Share of post-acquisition losses and exchange reserve	**(6)**	–
	–	–

During the year, the Group had disposed of 80% equity interest in 創維移動通信技術（深圳）有限公司 (see note 41) and the cost of investments and the share of post-acquisition losses and exchange reserve for the remaining 20% equity interest was transferred to interest in an associate.

Details of the Group's interest in an associate are set out below:

Name of entity	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group	Principal business
創維移動通信技術（深圳）有限公司	Equity joint venture	PRC	US$3,750,000	20%	Trading of mobile communication related products and research and product development

The summarised financial information in respect of the Group's associate is set out below:

	2009	2008
	HK$ million	*HK$ million*
Total assets	**89**	–
Total liabilities	**(234)**	–
Net liabilities	**(145)**	–
Group's share of net liabilities of the associate	**–**	–
Turnover	**58**	–
Loss for the year	**(1)**	–
Group's share of result of the associate for the year	**–**	–

22. INTEREST IN AN ASSOCIATE *(continued)*

The Group has discontinued recognition of its share of loss of the associate. The amount of unrecognised share of that associate, both for the year and cumulatively, are as follows:

	2009	2008
	HK$ million	*HK$ million*
Unrecognised share of loss of the associate for the year	**1**	–
Accumulated unrecognised share of loss of the associate	**1**	–

23. OTHER RECEIVABLE

On 17 January 2008, the Group entered into a contract to invest RMB97 million (approximately HK$109 million) for minority equity interest in an unlisted PRC company (the "unlisted equity securities"), which operates a LCD module factory in the PRC. At 31 March 2008, the investment transaction was yet to complete and subjected to the receipt of the approval and registration documents from the relevant government authorities.

On 6 June 2008, the Group has invested the total amount of RMB97 million upon the receipt of the approval and registration documents from the relevant government authorities. There are put and call options granted to the Group and the majority shareholder of that unlisted equity securities (the "majority shareholder") respectively, which enable the Group to require the majority shareholder to purchase/the majority shareholder to require the Group to sell the Group's interest in the unlisted equity securities at the original consideration of RMB97 million after a 5 year lock-up period from the date of capital injection.

As at the balance sheet date, the consideration paid has not been recognised as an investment of the Group. The majority shareholder has retained control and significant risks and rewards of ownership over the unlisted equity securities. Therefore, the consideration paid by the Group is classified as other receivable which is interest-free and is considered to be repayable on demand after the 5 year lock-up period.

The receivable has been recorded at initial recognition at its present value of HK$80 million with a corresponding charge of HK$29 million to the consolidated income statement as disclosed in note 14. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable is 6.40% per annum.

The fair value of the other receivable at 31 March 2009 was estimated at HK$83 million, which was determined based on the equivalent effective interest rate of that receivable at that date.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$ million	2008 HK$ million
Unlisted equity securities, at cost		
– in the PRC	**31**	29
– in overseas	**16**	16
Less: Impairment loss recognised	**(22)**	(20)
	25	25
Listed equity securities		
– in Hong Kong, at fair values	**4**	14
	29	39

The unlisted equity securities 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$2 million (2008: HK$9 million) has been recognised to consolidated income statement in respect of these investments during the year.

25. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$million	Tax losses HK$million	Provision HK$million	Undistributed earnings of PRC subsidiaries and jointly controlled entities HK$million	Others HK$million (Note)	Total HK$million
At 1 April 2007	2	(2)	(2)	–	8	6
Charge (credit) to consolidated income statement	1	1	1	–	(4)	(1)
Charge to equity	–	–	–	–	27	27
Effect of changes in tax rate						
– Charge to consolidated income statement	1	–	–	–	–	1
– Charge to equity	–	–	–	–	2	2
Exchange realignment	–	–	–	–	1	1
At 31 March 2008	4	(1)	(1)	–	34	36
Charge (credit) to consolidated income statement	1	(19)	–	22	(11)	(7)
Charge to equity for the year	–	–	–	–	7	7
Effect of changes in tax rate						
– Credit to consolidated income statement	(1)	–	–	–	–	(1)
– Credit to equity	–	–	–	–	(1)	(1)
At 31 March 2009	**4**	**(20)**	**(1)**	**22**	**29**	**34**

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

25. DEFERRED TAXATION *(continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009	2008
	HK$ million	*HK$ million*
Deferred tax assets	**(31)**	(7)
Deferred tax liabilities	**65**	43
	34	36

At the balance sheet date, the Group has unutilised tax losses of HK$1,464 million (2008: HK$1,167 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$129 million (2008: HK$4 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$1,335 million (2008: HK$1,163 million) due to the unpredictability of future profit streams.

Unutilised tax losses will expire as follows:

	2009	2008
	HK$ million	*HK$ million*
2008	**–**	27
2009	**17**	25
2010	**116**	116
2011	**350**	344
2012	**300**	294
2013	**276**	–
Carried forward indefinitely	**405**	361
	1,464	1,167

26. INVENTORIES

	2009 ***HK$ million***	2008 *HK$ million*
Raw materials	**362**	561
Work in progress	**110**	179
Finished goods	**795**	1,173
	1,267	1,913

27. TRADE AND OTHER RECEIVABLES

Sales in the PRC are generally settled by payment on delivery or receipt 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 sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

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

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

	2009 ***HK$ million***	2008 *HK$ million*
Within 30 days	**571**	457
31 to 60 days	**170**	200
61 to 90 days	**112**	136
91 to 365 days	**446**	401
Over 365 days	**104**	82
Trade receivables	**1,403**	1,276
Deposits, prepayments and other receivables	**356**	532
	1,759	1,808

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$468 million (2008: HK$558 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.

27. TRADE AND OTHER RECEIVABLES *(continued)*

Of the trade receivables, an amount of HK$89 million is due beyond twelve months. The receivables with principal amount of HK$109 million have been recorded at initial recognition at its present value of HK$81 million with a corresponding debit of HK$28 million to turnover for the year as disclosed in note 14. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is 6.57% per annum.

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

	2009	2008
	HK$ million	*HK$ million*
Overdue:		
Within 30 days	**184**	230
31 to 60 days	**52**	77
61 to 90 days	**55**	59
91 days or over	**177**	192
	468	558

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.

Movement in the allowance for doubtful debts is as follows:

	2009	2008
	HK$ million	*HK$ million*
Balance at beginning of the year	**105**	72
Impairment loss recognised on receivables	**11**	34
Amounts uncollectible written off	**(11)**	(7)
Exchange realignment	**2**	6
Balance at end of the year	**107**	105

27. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$107 million (2008: HK$105 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

28. BILLS RECEIVABLE

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

	2009	2008
	HK$ million	*HK$ million*
Within 30 days	**285**	230
31 to 60 days	**296**	174
61 to 90 days	**556**	209
91 days or over	**1,252**	1,041
Bills endorsed to suppliers	**993**	1,932
Bills discounted with recourse	**1,157**	817
	4,539	4,403

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 is still exposed 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 within the balance sheet date.

29. 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.

30. PLEDGED BANK DEPOSITS AND 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 0.01% to 3.15% (2008: 0.72% to 1.53%).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 2.25% to 5.77% (2008: 0.72% to 4.14%).

31. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$ million	*HK$ million*
Within 30 days	**1,016**	735
31 to 60 days	**423**	322
61 to 90 days	**265**	399
91 days or over	**168**	216
Trade payables under endorsed bills	**991**	1,926
Trade payables	**2,863**	3,598
Deposits in advance, accruals and other payables	**1,459**	1,571
	4,322	5,169

32. BILLS PAYABLE

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

	2009	2008
	HK$ million	*HK$ million*
Within 30 days	**64**	24
31 to 60 days	**18**	26
61 to 90 days	**45**	–
91 days or over	**64**	55
	191	105

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2009	2008
	HK$ million	*HK$ million*
Foreign currency forward contracts	**1**	106

33. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

During the year, the Group entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 month/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 month/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) in Renminbi at predetermined forward rates.

As at 31 March 2009, US dollar loans of HK$125 million (2008: HK$1,715 million) and fixed deposits denominated in Renminbi of HK$125 million (2008: HK$1,802 million) are included in other bank loans and pledged bank deposits as disclosed in notes 36 and 42 respectively.

The related interest income on the fixed deposits of HK$33 million (2008: HK$27 million) and exchange gain on US dollar loans of HK$37 million (2008: HK$102 million) are included in consolidated income statement, while the interest expenses on US dollar loans of HK$56 million (2008: HK$44 million) are included in finance cost as disclosed in note 10.

Major terms of foreign currency forward contracts as at 31 March 2009 are as follows:

Aggregate Principal amount	Maturity	Forward exchange rate
US$16,092,505	From January 2010 to March 2010	Buy US$/ sell RMB at 6.8745 to 6.8856

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$70,137,983	From October 2008 to December 2008	Buy US$/ sell RMB at 6.7707 to 7.2800
US$28,369,212	From January 2009 to March 2009	Buy US$/ sell RMB at 6.6080 to 7.2630

At 31 March 2009, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of HK$1 million (2008: HK$106 million). These amounts are based on market prices quoted by the counterparty financial institutions at the balance sheet date. During the year, the gain on change in fair value of the foreign currency forward contracts amounting to HK$29 million (2008: loss of HK$100 million) has been recognised in consolidated income statement.

34. PROVISION FOR WARRANTY AND ONEROUS CONTRACTS

	2009 HK$ million	2008 HK$ million
The amounts comprise the following:		
Provision for warranty *(Note a)*	**67**	83
Provision for onerous contracts *(Note b)*	**–**	52
	67	135
Analysed for reporting purposes as:		
Current liabilities	**36**	102
Non-current liabilities	**31**	33
	67	135

(a) Provision for warranty

	2009 HK$ million	2008 HK$ million
Balance at 1 April	**83**	61
Adjustment arising from use of revised defective rates	**(12)**	–
Additional provision in respect of current year's sales	**52**	77
Unused amounts reversed	**(2)**	–
Utilised	**(54)**	(62)
Amount written off on disposal of subsidiary	**(3)**	–
Exchange realignments	**3**	7
Balance at 31 March	**67**	83

The Group provides three year 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.

34. PROVISION FOR WARRANTY AND ONEROUS CONTRACTS *(continued)*

(b) Provision for onerous contracts

	2009	2008
	HK$ million	*HK$ million*
Balance at 1 April	**52**	–
(Reversal of) provision for the year	**(8)**	52
Amount written off on disposal of subsidiary	**(45)**	–
Exchange realignments	**1**	–
Balance at 31 March	**–**	52

Amounts from last year 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.

35. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

Included in the balance are amounts due to jointly controlled entities of HK$9 million (2008: nil) which are unsecured, interest free and with credit terms of 30 days. All other amounts due are unsecured, interest free and repayable on demand.

36. SECURED BANK BORROWINGS

	2009	2008
	HK$ million	*HK$ million*
Secured bank borrowings comprise the following:		
Construction loan	**85**	353
Financial liabilities on bills discounted with recourse	**1,157**	817
Other bank loans	**187**	1,965
	1,429	3,135
The bank borrowings are repayable as follows:		
Within one year or on demand	**1,429**	3,052
More than one year, but not exceeding two years	**–**	83
	1,429	3,135
Less: Amount due within one year or on demand included in current liabilities	**(1,429)**	(3,052)
Amount due after one year	**–**	83

36. SECURED BANK BORROWINGS *(continued)*

Included in the balance as at 31 March 2009 are fixed-rate bank borrowings of HK$125 million (2008: HK$1,715 million) denominated in US$ and carry interest rates ranging from 1.5% to 1.6% (2008: from 5.95% to 10.20%).

All other bank borrowings are carried at variable market interest rates ranging from 1.5% to 6.3% (2008: from 3.5% to 11.6%) per annum.

As at the balance sheet date, the Group had US$ denominated bank borrowings of HK$142 million (2008: HK$1,715 million). All other bank borrowings are denominated in RMB.

37. DEFERRED INCOME

	2009	2008
	HK$ million	*HK$ million*
Deferred income	**269**	161
Less: Amount to be recognised as income within one year included in current liabilities	**(68)**	(59)
Amount to be recognised as income after one year	**201**	102

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$15 million (2008: HK$24 million).

38. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each:		
Authorised		
At 1 April 2007, 31 March 2008 and 31 March 2009	10,000,000,000	1,000
Issued and fully paid		
At 1 April 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
Issue of shares under share option schemes	138,000	–
Share repurchased and cancelled	(11,472,000)	(1)
Issue of shares under scrip dividend scheme	1,040,854	–
At 31 March 2009	2,282,497,245	228

Details of the exercise of share options during the two years ended 31 March 2009 are set out in note 39.

39. SHARE OPTIONS

The Company adopted three share option schemes mainly for the purpose of providing incentives to directors, eligible employees and selected eligible persons. 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 "2000 Share Option 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 2000 Share Option 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.

39. SHARE OPTIONS *(continued)*

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 2000 Share Option Scheme complies with the amended rules in the Listing Rules governing share option schemes, no further option can be granted under 2000 Share Option Scheme from 1 September 2001. Nevertheless, options previously granted under 2000 Share Option Scheme will continue to be exercisable in accordance with 2000 Share Option 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 "2002 Share Option Scheme").

The Company then further terminated 2002 Share Option Scheme and adopted a new share option scheme ("2008 Share Option Scheme") in its 2008 Annual General Meeting held on 30 September 2008. The principal terms of 2002 Share Option Scheme and 2008 Share Option Scheme are basically the same.

Under each of 2002 Share Option Scheme and 2008 Share Option 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 under 2002 Share Option Scheme and 30 September 2018 under 2008 Share Option Scheme.

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 each of 2002 Share Option Scheme and 2008 Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the aforesaid Schemes 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 2002 Share Option Scheme or 2008 Share Option 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 respective Share Option Scheme or exceed any of the refreshed limit.

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 2002 Share Option Scheme and 2008 Share Option 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.

39. SHARE OPTIONS *(continued)*

The total number of shares available for grant under the share option schemes of the Company is approximately 323,832,000 representing approximately 14.19% of the issued share capital of the Company as at the date of this report.

2009

The following tables show the movements in the Company's share options granted under 2000 Share Option Scheme, 2002 Share Option Scheme and 2008 Share Option Scheme during the year ended 31 March 2009:

Under 2000 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year (Note a)	Exercised during the year (Note b)	Cancelled during the year	Outstanding at 31 March 2009
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	–	(138,000)	–	3,960,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	750,000	–	–	–	750,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	750,000	–	–	–	750,000
				6,198,000	–	(138,000)	–	6,060,000

Notes:

(a) No share option was granted under 2000 Share Option Scheme during the year ended 31 March 2009.

(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 2009 was HK$0.88.

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year (Note c)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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	6,626,000	–	–	(626,000)	6,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	6,626,000	–	–	(626,000)	6,000,000
28 March 2003	0.776	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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
	HK$				*(Note c)*			
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

39. SHARE OPTIONS (continued)

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year (Note c)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
	HK$				*(Note c)*			
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	–	–	(125,000)	12,375,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	12,500,000	–	–	(125,000)	12,375,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	12,500,000	–	–	(125,000)	12,375,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	12,500,000	–	–	(125,000)	12,375,000

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year (Note c)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
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
2 April 2008	0.712	2 April 2008 to 1 April 2009	2 April 2009 to 28 August 2012	–	750,000	–	–	750,000
		2 April 2008 to 1 April 2010	2 April 2010 to 28 August 2012	–	750,000	–	–	750,000
		2 April 2008 to 1 April 2011	2 April 2011 to 28 August 2012	–	750,000	–	–	750,000
		2 April 2008 to 1 April 2012	2 April 2012 to 28 August 2012	–	750,000	–	–	750,000
19 August 2008	0.830	19 August 2008 to 18 August 2009	19 August 2009 to 28 August 2012	–	2,225,000	–	–	2,225,000
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	–	2,225,000	–	–	2,225,000
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	–	2,225,000	–	–	2,225,000
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	–	2,225,000	–	–	2,225,000
				266,674,000	11,900,000	–	(1,752,000)	276,822,000

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (continued)

Notes:

(c) During the year ended 31 March 2009, 11,900,000 share options in aggregate were granted to eligible persons as defined in 2002 Share Option Scheme on 2 April 2008 and 19 August 2008 respectively. The closing share price of the Company's shares on 1 April 2008, the trading day preceding the date of grant of 3,000,000 share options was HK$0.69. The closing share price of the Company's shares on 18 August 2008, the trading day preceding the date of grant of 8,900,000 share options was HK$0.81.

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2008	Granted during the year (Note d)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2009
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	–	10,137,500	–	–	10,137,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	–	10,137,500	–	–	10,137,500
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	–	10,137,500	–	–	10,137,500
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	–	10,137,500	–	–	10,137,500
26 November 2008	0.415	26 November 2008 to 25 November 2009	26 November 2009 to 30 September 2018	–	100,000	–	–	100,000
		26 November 2008 to 25 November 2010	26 November 2010 to 30 September 2018	–	100,000	–	–	100,000
		26 November 2008 to 25 November 2011	26 November 2011 to 30 September 2018	–	100,000	–	–	100,000
		26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	–	100,000	–	–	100,000
				–	40,950,000	–	–	40,950,000

39. SHARE OPTIONS *(continued)*

Under 2008 Share Option Scheme (continued)

Notes:

(d) During the year ended 31 March 2009, 40,950,000 share options in aggregate were granted to eligible persons as defined in 2008 Share Option Scheme on 6 November 2008 and 26 November 2008 respectively. The closing share price of the Company's shares on 5 November 2008, the trading day preceding the date of grant of 40,550,000 share options was HK$0.40. The closing share price of the Company's shares on 25 November 2008, the trading day preceding the date of grant of 400,000 share options was HK$0.40.

2008

The following tables show the movements in the Company's share options granted under 2000 Share Option Scheme and 2002 Share Option Scheme during the year ended 31 March 2008.

Under 2000 Share Option Scheme

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 e)*	*(Note f)*		
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:

(e) No share option was granted under 2000 Share Option Scheme during the year ended 31 March 2008.

(f) 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.

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year *(Note g)*	Exercised during the year *(Note h)*	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	–	(1,000,000)	–	6,626,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	7,626,000	–	(1,000,000)	–	6,626,000
28 March 2003	0.776	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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (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 g)*	*(Note h)*		
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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (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 g)*	*(Note h)*		
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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (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 g)*	*(Note h)*		
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	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

39. SHARE OPTIONS *(continued)*

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2007	Granted during the year (Note g)	Exercised during the year (Note h)	Cancelled during the year	Outstanding at 31 March 2008
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
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:

(g) During the year ended 31 March 2008, 83,350,000 share options were granted to eligible persons as defined in 2002 Share Option 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.

(h) 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.

39. SHARE OPTIONS *(continued)*

At the balance sheet date, outstanding share options of 84,000,000 (2008: 73,000,000) 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.

40. 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 2009 are disclosed in note 39, a summary of which is presented below:

	2009		2008	
	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	**272,872,000**	**1.389**	193,022,000	1.571
Granted during the year	**52,850,000**	**0.470**	83,350,000	0.937
Exercised during the year	**(138,000)**	**0.336**	(3,500,000)	0.660
Lapsed during the year	**(1,752,000)**	**0.899**	–	–
Outstanding at the end of the year	**323,832,000**	**1.242**	272,872,000	1.389
Exercisable at the end of the year	**204,969,500**		119,157,000	

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.880 (2008: HK$1.12). The share options outstanding as at 31 March 2009 have a weighted average remaining contractual life of 4.8 years (2008: 4.5 years) and the exercise prices of which range from HK$0.336 to HK$2.740 (2008: HK$0.336 to HK$2.740).

40. SHARE-BASED PAYMENTS *(continued)*

Share options *(continued)*

The Black-Scholes Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The details of the variables used for calculating fair value of the share options granted during the year ended 31 March 2009 are summarised as follows:

	Grant 1	Grant 2	Grant 3	Grant 4
Date of grant of the share options:	2 April 2008	19 August 2008	6 November 2008	26 November 2008
Grant date share price:	HK$0.71	HK$0.83	HK$0.35	HK$0.41
Exercise price:	HK$0.712	HK$0.83	HK$0.374	HK$0.415
Expected life:	4.4 years	4 years	5 years	5 years
Expected volatility:	50%	50%	50%	50%
Expected dividend yield:	10%	10%	10%	10%

Notes:

(a) The expected life of the share options is determined as 4.4 years, 4 years, 5 years and 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.

(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 2 April 2008, 19 August 2008, 6 November 2008 and 26 November 2008, determined using the Black-Scholes Model with the above variables, are HK$0.14, HK$0.16, HK$0.06 and HK$0.08 per share option respectively. The weighted average fair value of share options granted during the year was HK$0.084 (2008: HK$0.28).

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.

40. SHARE-BASED PAYMENTS *(continued)*

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$19 million (2008: HK$18 million) has been recognised in the current year.

41. DISPOSAL OF A SUBSIDIARY

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.

Major terms of the Agreement are set out below:

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

(b) 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. (Note: Such amount had not yet been injected to Mobile (SZ) up to the date of disposal.)

RGB would be responsible for 45% of such net liabilities amount as at 31 May 2008 subject to a cap of RMB58,800,000 (equivalent to approximately HK$66,667,000), RMB40,000,000 (equivalent to approximately HK$45,200,000) of which would be injected into Mobile (SZ) under (a) above. Such injection had been made to Mobile (SZ) before the date of disposal and was fully written off to the consolidated income statement as part of the gain on disposal of subsidiary in current year.

41. DISPOSAL OF A SUBSIDIARY *(continued)*

The transaction was completed on 13 January 2009 upon the issuance of relevant approval documents by the PRC government authorities. The relevant gain on disposal amounting to HK$43 million has been recognised in the consolidated income statement for the year ended 31 March 2009, which is determined as follows:

	2009 *HK$ million*
Net liabilities disposed of:	
Property, plant and equipment	4
Inventories	16
Trade and other receivables	40
Bills receivables	4
Pledged bank deposits	24
Bank balances and cash	2
Trade and other payables	(69)
Bills payable	(21)
Provision for warranty and onerous contracts	(48)
Deferred income	(2)
	(50)
Exchange reserve realised	7
Gain on disposal	43
	–
Satisfied by:	
Cash consideration	–
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(2)

Note: The remaining 20% equity interest in Mobile (SZ) held by the Group is classified as an interest in an associate at the date of disposal.

42. PLEDGE OF ASSETS

At 31 March 2009, 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 (2008: HK$61 million) and HK$22 million (2008: HK$23 million) respectively;

(b) bills receivable of nil (2008: HK$229 million); and

(c) bank deposits of HK$154 million (2008: HK$1,870 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$993 million (2008: HK$1,932 million) and HK$1,157 million (2008: HK$817 million) respectively as disclosed in note 28.

43. 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:

	2009	2008
	HK$ million	*HK$ million*
Within one year	**10**	11
In the second to fifth year inclusive	**17**	16
Over five years	**3**	–
	30	27

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.

43. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

During the year, the Group earned rental income of HK$66 million (2008: HK$49 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:

	2009	2008
	HK$ million	*HK$ million*
Within one year	**35**	36
In the second to fifth year inclusive	**24**	17
Over five years	**–**	2
	59	55

44. CAPITAL COMMITMENTS

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

	2009	2008
	HK$ million	*HK$ million*
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**20**	5
Factory buildings under development	**105**	100
Investment in a jointly controlled entity in PRC	**–**	11
Investment in unlisted equity securities in PRC	**–**	109
	125	225
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**25**	3
Factory buildings under development	**121**	302
	146	305

45. 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.

46. 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:

	2009 ***HK$ million***	2008 *HK$ million*
Retirement benefit scheme contributions in Hong Kong	–	1
Pension costs in the PRC	**55**	30
Total retirement benefit scheme contributions	**55**	31

At 31 March 2009, there were no forfeited contributions available to offset future employers' contributions to the schemes.

47. RELATED PARTY TRANSACTIONS

Trading transactions

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

	2009	2008
	HK$ million	*HK$ million*
Sub-contracting charges paid	**–**	3
Sales of raw materials	**3**	51
Sales of finished goods	**1**	–
Purchase of raw materials	**20**	4
Advertising and promotional expenses paid	**12**	24

Compensation of key management personnel

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

	2009	2008
	HK$ million	*HK$ million*
Short-term benefits	**33**	35
Post-employment benefits	**1**	1
Share-based payments	**5**	10
	39	46

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.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2009 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

48. 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
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 c)*	Registered capital RMB120,000,000	72	Manufacture and sale of consumer electronic products and research and products development

48. 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
創維應用電子（深圳）有限公司	PRC *(Note c)*	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.

48. 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 2009.

None of the subsidiaries had any debt securities outstanding at 31 March 2009 or at any time during the year.

49. SUMMARISED BALANCE SHEET OF THE COMPANY

	2009	2008
	HK$ million	*HK$ million*
Investments in subsidiaries	**1,317**	1,289
Amounts due from subsidiaries	**2,093**	2,088
Other current assets	**1**	1
Amounts due to subsidiaries	**(308)**	(153)
	3,103	3,225
Share capital	**228**	229
Share premium	**1,188**	1,196
Reserves	**1,687**	1,800
	3,103	3,225

Financial Summary

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Turnover	**15,387**	13,939	12,560	10,699	10,466
Cost of sales	**(12,282)**	(10,955)	(10,537)	(8,626)	(8,809)
Gross profit	**3,105**	2,984	2,023	2,073	1,657
Other income	**245**	189	97	100	74
Exchange gains	**79**	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	**(2,192)**	(1,969)	(1,610)	(1,598)	(1,183)
General and administrative expenses	**(561)**	(488)	(419)	(263)	(373)
Change in fair value of derivative financial instruments	**29**	(100)	–	–	–
Impairment loss recognised in respect of available-for-sale investments	**(2)**	(9)	(3)	(3)	(3)
Impairment losses and provision for onerous contracts	**(3)**	(153)	23	(75)	(80)
Finance costs	**(125)**	(122)	(19)	(3)	(22)
Gain on disposal of subsidiaries	**43**	60	–	3	–
Write off of interest in an associate	**–**	–	–	–	(10)
Share of results of jointly controlled entities	**9**	18	8	1	(11)
Profit before taxation	**627**	601	147	255	245
Income tax (expenses) credit	**(124)**	(121)	(19)	(39)	130
Profit for the year	**503**	480	128	216	375
Attributable to:					
Equity holders of the Company	**460**	457	128	216	376
Minority interests	**43**	23	–	–	(1)
	503	480	128	216	375

ASSETS AND LIABILITIES

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Total consolidated assets	**11,063**	13,070	8,659	7,573	7,745
Total consolidated liabilities	**(6,659)**	(9,118)	(5,396)	(4,485)	(4,821)
Net assets	**4,404**	3,952	3,263	3,088	2,924
Attributable to:					
Equity holders of the Company	**4,353**	3,948	3,263	3,088	2,924
Minority interests	**51**	4	–	–	–
	4,404	3,952	3,263	3,088	2,924

Financial Review

For the year ended 31 March

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

	2009*	2008	2007	2006	2005 (restated)
OPERATING RESULTS					
Turnover[#]	**15,387**	13,939	12,560	10,699	10,466
Operating profit (EBIT)[#]	**700**	703	158	257	288
Profit attributable to equity holders of the Company	**460**	457	128	216	376
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	**20.15**	19.95	5.59	9.53	16.79
Dividend per share	**8.0**	5.0	1.7	3.8	5.5
Dividend payout ratio – basic	**39.7%**	25.1%	30.4%	39.9%	32.8%
KEY STATISTICS					
Equity attributable to equity holders of the Company	**4,353**	3,952	3,263	3,088	2,924
Working capital	**2,911**	2,706	2,340	2,273	2,224
Cash position**	**1,539**	3,259	891	798	1,940
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**147**	610	324	166	4
Bills receivable	**4,539**	4,403	3,847	3,181	2,828
Trade receivables	**1,403**	1,276	649	517	357
Inventories	**1,267**	1,913	1,573	1,747	1,679
Capital expenditure***	**322**	340	351	444	136
Depreciation and amortisation	**187**	161	135	121	110
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**10.6**	11.6	3.9	7.0	12.9
Return on total assets (ROA) (%)	**4.2**	3.5	1.5	2.9	4.8
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**3.4**	15.3	9.9	5.4	0.1
Net debt to equity	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.5**	1.3	1.5	1.5	1.5
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)[##]	**115**	117	108	102	88
Inventories turnover period (days)[##]	**47**	60	58	72	62
Gross profit margin (%)	**20.3**	22.0	16.1	18.7	15.1
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**5.8**	7.2	2.3	3.5	3.8
Earnings before interest and taxation (EBIT) margin (%)	**4.6**	6.0	1.3	2.4	2.6
Profits margin (%)	**3.0**	3.4	1.0	2.0	3.6

* Except for otherwise stated, all ratios calculated above were based on continuing operations figures

** 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

\# Figures are stated with continuing operations and discontinued operations inclusive

\## 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. 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

COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Richards Butler

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchant Bank
Citic Ka Wah Bank
Industrial and Commercial Bank
Standard Chartered Bank

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 HM 11
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

SHARE LISTING

The Company's shares are listed on Hong Kong Exchanges and Clearing Limited
Stock Code: 00751

IMPORTANT INFORMATION FOR 2009/2010

Results Announcement Date

Annual Results – 8 July 2009

Dividend Per Share

Final dividend – HK7 cents

Dividend Payment Date

Final dividend – 15 October 2009

Closing Period of the Register of Members

Final – From 8 September 2009 to 14 September 2009 both dates inclusive

COMPANY WEBSITE

http://www.skyworth.com