Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 751

Annual Report 2009/10

Contents

Financial Highlights

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

	2010	2009	Change
OPERATING RESULTS FROM CONTINUING OPERATIONS			
Turnover	**22,769**	15,329	+48.5%
Operating Profit (EBIT) from continuing operations	**1,660**	700	+137.1%
Profit from continuing operations	**1,326**	460	+188.3%
DISCONTINUED OPERATIONS			
Gain (loss) for the year from discontinued operation	**–**	43	-100.0%
Net Profit for the year	**1,326**	503	+163.6%
Profit attributable to owners of the Company	**1,251**	460	+172.0%
FINANCIAL POSITION			
Net cash (used in) from operating activities	**(1,987)**	794	-350.3%
Cash position*	**4,585**	1,539	-52.8%
Bank loans	**6,721**	1,429	+197.9%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**968**	147	+558.5%
Equity attributable to owners of the Company	**5,773**	4,353	+32.6%
Working capital	**4,268**	2,757	+54.8%
Bills receivable	**6,938**	4,539	+52.9%
Bills discounted with recourse	**3,428**	1,157	+196.3%
Trade receivables	**1,584**	1,403	+12.9%
Inventories	**3,298**	1,267	+160.3%
KEY RATIOS			
Gross profit margin (%)	**21.4%**	20.2%	+1.2pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**8.3%**	5.8%	+2.5pp
Profit margin (%)	**5.8%**	3.0%	+2.8pp
Return on equity holders of the Company (ROE) (%)	**21.7%**	10.6%	+11.1pp
Debt to equity (%)**	**114.8%**	32.4%	+82.4pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**16.8%**	3.4%	+13.4pp
Net debt to equity	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.3**	1.4	-7.1%
Trade receivable turnover period (days)***	**116**	138	-15.9%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	**78**	114	-31.6%
Inventories turnover period (days)***	**47**	48	-2.1%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	**52.32**	20.15	+159.7%
Earnings per share – Diluted	**49.46**	20.10	+146.1%
Dividend per share	**16.00**	8.00	+100.0%
Dividend payout ratio – Basic	**30.6%**	39.7%	-9.1pp
Dividend payout ratio – Diluted	**32.3%**	39.8%	-7.5pp
Book value per share	**228.5**	190.8	+19.8%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,527**	2,282	+10.7%
Market capitalisation	**2,292**	1,621	+41.4%

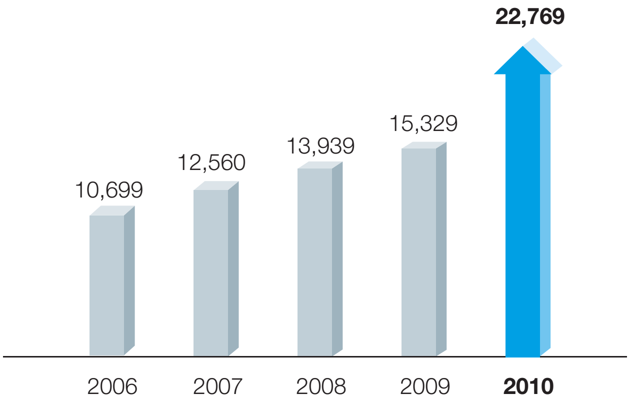
* Cash position refers to bank balances and cash, including pledged bank deposits of approximately HK$2,394 million

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

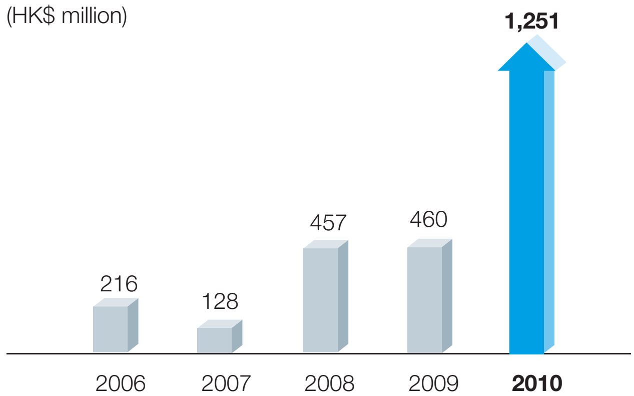
*** Calculated based on average inventory / average sum of bills receivable and trade receivables

\# Except for otherwise stated, all ratios calculated above were based on Continuing Operations figures

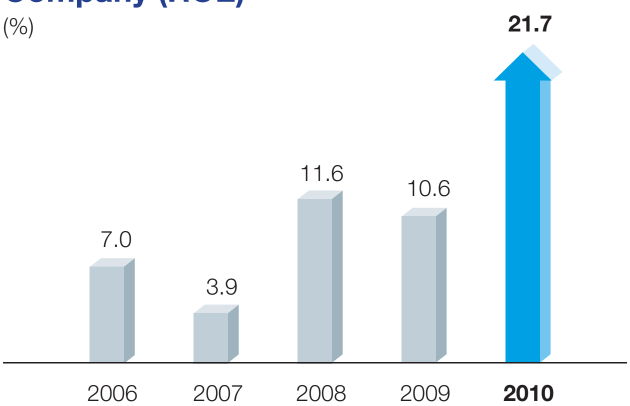
Turnover
(HK$ million)



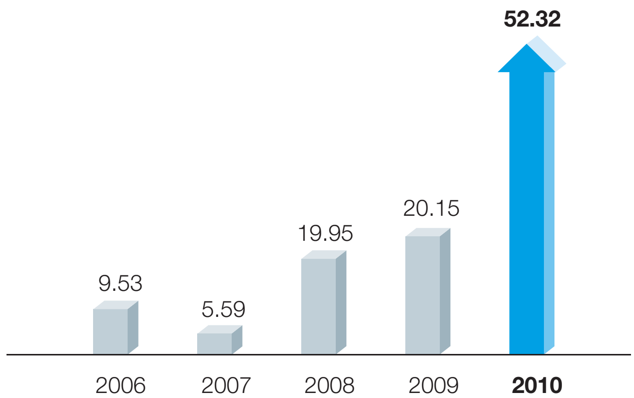
Profits Attributable to Equity Holders of the Company
(HK$ million)



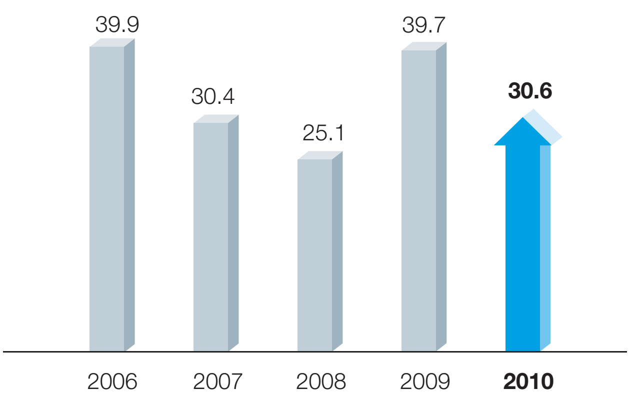
Return on Equity Holders of the Company (ROE)
(%)



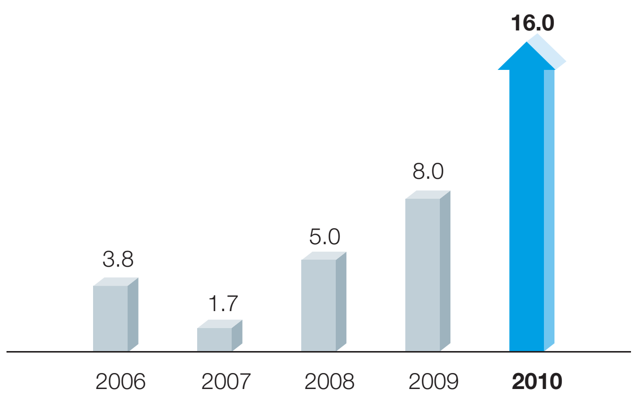
Earnings Per Share – Basic
(HK cents)



Payout Ratio
(%)



Dividend Per Share
(HK cents)



Letter from Executive Chairman and Chief Executive Officer

Zhang Xuebin
Executive Chairman and Chief Executive Officer

Highlights of Results

The Group recorded the following results during the year ended 31 March 2010:

- Turnover from continuing operations reached HK$22,769 million (91.2% from the PRC market), an increase of 48.5% from that of previous year.

- Sales of TV products and digital set-top boxes accounted for 90.2% and 8.3% of the Group's total turnover from continuing operations, respectively.

- Gross profit from continuing operations achieved HK$4,873 million, increased by 57.5%; gross profit margin was 21.4%, increased by 1.2 percentage points.

- Profit for the year from continuing operations were HK$1,326 million, an increase of 188.3% from that of previous year.

- The Board has proposed a final dividend of HK8.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 30.6% (31.9% based on the issued share capital at 30 June 2010) for the whole year.

Dear shareholders, partners and other stakeholders:

In the financial year ended 31 March 2010 (the "Reporting Year"), Skyworth stepped out of the complicated market environment and achieved excellent results.

During the Reporting Year, the Group continued to concentrate its business activities and deployment of resources in the mainland China.

OUTSTANDING OPERATING RESULTS

During the Reporting Year, Skyworth picked up the positive momentums from the global economic recovery and steady economic growth in the mainland China.

The Group's turnover from continuing operation was at record high, from HK$15,329 million to HK$22,769 million, representing a remarkable increase of 48.5% corresponding to that of the financial year ended 31 March 2009 (the "Previous Year"). The profit for the Reporting Year also marked a record high of HK$1,326 million, representing a 188.3% increase from the Previous Year. The gross profit for the Reporting Year increased steadily by 1.2 percentage points to 21.4%. At the end of the Reporting Year, the Group had net assets of HK$5,854 million, representing a 32.9% increase; a strong cash position with cash and cash equivalents of HK$2,191 million, representing a 58.2% increase.

The double digital growth was mainly attributable to the encouraging performance of the Group's core business units, being the television ("TV") and the digital set-top boxes businesses with operations in the mainland China. The TV business turnover increased 44.8% to HK$19,247 million, and the digital set-top boxes business turnover increased 31.6% to HK$1,186 million.

The Group's TV business unit compassed leeway from the complicated market conditions, and earned outstanding results in the Reporting Year. Winning various awards to its innovations in TV technologies enhanced Skyworth TV's presence in returns. Given the leading edge in the China market, it built success by means of launching value-added and state-of-the-art products and gained market popularisation, sourcing alternative channels to expand sales growth, and collaborating with educational institutes and upstream value chain to perform extensive researches for technological synergies and reserves. Skyworth TVs ranked number one in LCD TV sales associated with the China government's stipulation of the "Home Appliances to the Countryside" policy in the Reporting Year. Out of the 48 designated Skyworth's TVs being elected in the new tender under this policy, 11 qualified Skyworth TV models were LED TVs.

The digital set-top boxes business units hosted a leading position in the market and won large tenders to derive rapid growth. Other business units such as LCD modules business unit reengineered its business scope to provide tremendous supports for the growth of the Group's core business.

OUTLOOK

Looking ahead to this new financial year ending 31 March 2011 (the "Upcoming Year"), Skyworth applies consistent corporate strategy to uphold and strengthen the core business competitiveness, forming solid supports to the continuous business growth by actively developments of our auxiliaries. We seek dynamic expansion around related industries, and in our upstream and downstream food chain to extend chains to sustain our core business. We create further strategic connections with our mainstream suppliers with in-depth technical aspects through bilateral cooperation. We advance our controls in governance to our business units to minimise unnecessary business risks. We encourage improvements in operation efficiency and management quality, extending capabilities to uplift our product quality and competitive advantages. We allocate resources to carry out researches and developments, building reserves for technological and development trends. The Group validates an aggregation of efforts from all levels to furnish our concrete foundation with substantial competitive edge by a fully convergence of quality in management, operation, products and technologies. The Group converts its expertise derived from its system, talents, governance and brand advantages in gaining comprehensive development breakthroughs.

For the Upcoming Year, the Group targets at 9.5 million sets overall TV sales, means by China and overseas TV sales generating 7.5 million sets and 2 million sets, respectively.

In the Upcoming Year, the Group, consisting of 22,000 employees, is well prepared for the probable faster turnaround product cycle brought upon by accelerating pace of TV product evolutions, the expected quick domination of LED back-light TV will take up 30% or more of the mainland China TV sales.

The replacements of digitalised TV and the high-definition TV bring digital TV set-top boxes business to live, inducing progressively popularisation to yield opportunities for further business expansions without hesitations in the Upcoming Year. Also, the strategic partnerships with overseas operators amplify potential scales penetration in the overseas market. The LCD business unit aims to sustain its current customers and aggressively develop new customers. The Group also targets to further expand production scope and capacity as tactical growth drivers.

Extent evolutions in TV industry and products, and swift innovations in display technology constitute tensions and competitions are expected to happen in the Upcoming Year. The Group being one of the leaders of the TV industry in the mainland China with cumulative experience, track records and elite capitals, follows its leading-edged technologies and qualities to broaden product-oriented and customer-oriented philosophies and create sustainable growth initiatives. As 3C convergence brings new technologies, emerging channels and enforceable new business models to live, together with the China government's expanding scopes in "Home Appliances to the Countryside" and "Swapping Old to New" policies, diagnose a positive market development trend in the mainland China. Looking ahead towards the Upcoming Year, the board of directors (the "Board") of the Group endeavours to pursue its leading presence in the TV market and excellent results.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all managements, colleagues and business associates for their services and dedications to help to create a better Skyworth with innovations and passions throughout the year. I would also like to express our greatest appreciation to all of our shareholders, customers and stakeholders for their continuous supports and their confidence in our Group.

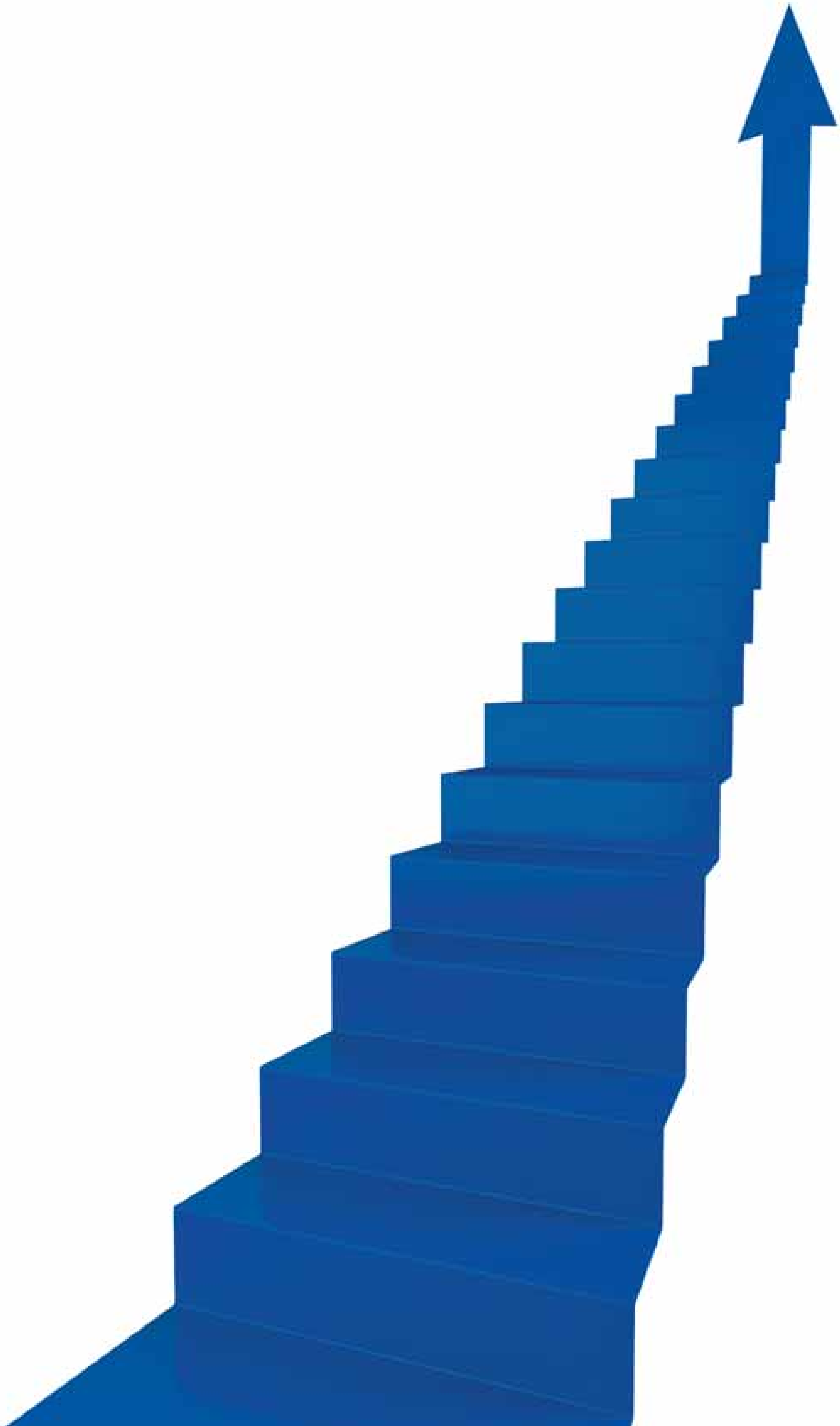
Lastly, I express with deep sadness by the demise of our independent non-executive director, Mr. Tsui Tsin Tong. Mr. Tsui contributed invaluable insights to our Group during his tenure of office.

I look forward to bringing better returns in the year of 2011.

Yours Sincerely,

Zhang Xuebin
Executive Chairman and Chief Executive Officer
30 June 2010

Management Discussion and Analysis



BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

The Group marked a record high for the year ended 31 March 2010 (the "Reporting Year"). Turnover from continuing operations reached HK$22,769 million (Year 2009: HK$15,329 million), representing HK$7,440 million or 48.5% double digit growth. Profits from continuing operations reached HK$1,326 million (Year 2009: HK$460 million), tracking a rapid growth of HK$866 million or 188.3%. Gross profit margin reached 21.4% (Year 2009: 20.2%), steadily going up by 1.2 percentage points.

In the Reporting Year, the macro environment as a catalyst and the Group's fundamentals as solid promoters, kinetically led a milestone of twenty billion total turnover. The promulgation of vast subsidising policies from the China Government (the "State"), the popularisation of digital high-definition, the urging consumer demands for product differentiation, revolution of television ("TV") products, gave yields to the innovations of the TV industry. The expanding scope of State programmes, such as the "Home Appliances to the Countryside" and the "Swapping Old to New" subsidies, stimulated the vigorous TV market structure and product mix reforms: sales momentum strove significantly from the first-tier cities to inland cities and towns, product evolution activated from cathode ray tube ("CRT") TV to liquid crystal display ("LCD") TV, magnifying spans for growth in sales, research and development. The progressing convergence of computer, consumer electronics and communications ("3C") as well as the pilot tri-networks integration project of telecommunications, cable TV and the Internet factorised the Group's plan in building a statue of its own brand to occupy an important market presence with its existing competitive edges in technology and talent reserves. To execute "Healthy and Wonderful Life", the Group widely used self-developed green technologies on icon products, demonstrating its responsiveness to the State's call on green energy-saving policy.

The targeted overall TV sales for the Reporting Year was 8.2 million sets, aiming for 6.5 million sets in the mainland China and 1.7 million sets in overseas markets. At the end of the Reporting Year, all objectives exceeded. The actual annual TV sales volume reached 9.0 million sets, 0.8 million sets or 9.8% more than the expected target, of which the mainland China market accounted for 7.03 million sets, exceeded target by 0.53 million sets or 8.2%; the overseas markets accounted for 1.97 million sets, exceeded target by 0.27 million sets or 15.9%.

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

The total mainland China market turnover for the Reporting Year reached HK$20,694 million (Year 2009: HK$13,397 million), rose HK$7,297 million or 54.5%, representing 90.9% of the total Group turnover (Year 2009: 87.4%). The related gross profit margin was 22.5% (Year 2009: 22.5%).

The Group's core business situated in mainland China, with TV business unit being a key player, accounting for 93.0% of its total domestic turnover. Digital set-top boxes and LCD module business units accounted for 5.7% and 0.9%, respectively. Other business units included moulds, automobile electronics, other electronic products and rental properties, etc.

TV Products

The Group's mainland China TV sales reached HK$19,247 million (Year 2009: HK$12,346 million), rose HK$6,901 million or 55.9%.

Sales Networks in the PRC

As one of the largest TV manufacturers in China, the Group contributes to the mainland China TV market. Competitive edges in differentiate product features with credentials to leading TV technologies, country-wide sales hub, sound channeling strategies and reasonable sales product mix, brought upon the glamorous success in sales for the Reporting Year. Retrieving from All View Consulting Co., Ltd. ("AVC") data, **Skyworth** brand ranked second in both overall mainland China TV sales volume and turnover, accounting for 14.2% and 12.5% (Year 2009: 15.7% and 12.5%), respectively. AVC is a subsidiary of the China Video Industry Association which performs quantitative TV researches with data covering 390 major cities and 4,300 retail terminals in the mainland China, and statistical parameter using cumulative sales data generated in twelve consecutive months period ending 31 March 2010.

The State expanded scopes of the "Home Appliances to the Countryside" policy, allowing higher price ceiling on each eligible TV product. The Group quickly responded with its rural strategy, with product and service penetrations to the rural areas through aspects of service, technology, product, culture, and welfare, seized in market share with convergence of the Skyworth culture and service philosophy, and established the social responsibility presence in line with the project. During the Reporting Year, the Group became one of the top ten China electronic enterprises among the "Home Appliances to the Countryside" brands. In fact, the **Skyworth** brand accounted for 22.7% of LCD TV sales under such policy, ranking first; 18.9% of overall TV sales under such policy, ranking third. Under the new round of bidding, the Group held 48 designated TV models, 11 models of which being light emitting diode ("LED") backlight LCD TV in total, allowing further optimisation of the countryside distribution and after sales service networks, laying a good infrastructure to future sales and revenue.

Digital broadcasting conversion, pilot tri-networks integration project, 3C convergence, the rise of "Internet of Things" have created optimistic expectations towards value-added features and product intelligences, accelerating conceptual speculations towards TV technology diversifications and add-ons enrichments. New consumer channels and e-commerce diversified consumption patterns, selling traits of TV products became similar to other consumer electronics that contain rapid sales growths, forming fierce competitions within TV industry. Confronting dropping product prices and shortening product cycles, the Group persisted its fundamental belief: strengthen core and develop auxiliaries; executed project-based plans, strengthened technical inputs, and promoted innovative products effectively with increasing speed to exploit economies of scales and product profitability. The Group aimed to expand its role in the industrial chain with rational resources allocation to actively develop core technologies by strategic cooperation with domestic reputable universities in new display research and development to improve system efficiency, collaboration and supporting capacity.

Like a standby arrow on a bow, the Group backs its technology on research and development to actively emerge the new LED backlight LCD TV as concerted with the market trend. The Group introduced the ultra-thin LED backlight LCD TV series during the 60th national anniversary holidays. Being one of the first Chinese brands to introduce such technology, the Group gained first to market statue to benchmark new LCD TV standards within market place, as well a competitive advantage for economies of scales. Through actively exploring market consumption power such as collective purchases, e-shopping and direct sales, restructuring market channels and cohesive selling drove new growth points. During the Reporting Year, the Group sold 5.99 million sets of flat-panel TVs (Year 2009: 2.48 million sets), up 3.51 million sets or 1.4 times, representing 85.2% of its total sales volume in the Mainland China (Year 2009: 39.6%), generating 22.1% gross profit margin (Year 2009: 22.8%).

Other factors for the growth in the mainland China TV turnover included:

- uplifting the competitive advantages of icon products, the CooCaa TV series, in differentiation and market popularity by enhancing web-based audio-visual add-ons (CooCaa Music, CooCaa Movie, CooCaa K) and pioneering new add-ons such as family education (CooCaa School);

- investing in energy-saving LCD TVs, with underlying green technologies such as AGT screen, screen change technology, circuit optimisation program, and nano-cold tubes, bringing profitability and green development, reducing power consumption and pollution;

- setting up innovative design centers to add elements of inevitability to the Group's industrial product designs, winning many world-class product design and technology awards including the "Best of the Best" of German Red Dot Awards and the "Oscar Award in Industrial Design Field" of German iF Product Design Award, marking entrance to international ranks, with international conceptual products as a new selling point;

- ranking 13th in China's top 100 Electronic Information Enterprises, also winning brand titles from "Corporation with Advanced Service Quality", "Famous Brand in Guangdong Province", "The Most Favored Flat Panel TVs Brand" and many other important industrial and consumer awards and honors, rewarding sales excellence;

- being the designated display terminals sponsor of the World University Games, demonstrating good corporate responsibility and abundant vitality of enterprises; and

- deriving synergies from jointly partnerships in technological researches and differentiated product developments with streams of supply chain to stable supplies, to optimise product

price structure and distribution network enhance competitiveness and improve the TV industry.

As a TV manufacturer, the sales of the China TV business unit of the Group would be affected by the seasonality of the TV market in mainland China. Based on the past track records of the Group, the China TV business unit would make most of its sales in the month before Chinese New Year holidays, usually in January or February. The next busy month of the China TV business unit would be September when the customers would stock up for the China National Day holidays in the beginning of October, following by April in preparation for the expected increase of TV sales by retailers in the China Labour Day holidays in the beginning of May.

Digital Set-top Boxes

The Group's annual turnover for mainland China digital set-top boxes ("set-top boxes") sales reached HK$1,186 million (Year 2009: HK$901 million), rose HK$285 million or 31.6%.

The State-promoted high-definition and satellite broadcastings stimulated digital TV replacements in inner cities and huge demands for set-top boxes, granting new access to growth. The high-definition set-top boxes replacements which started in major cities such as Beijing and the digital satellite program focusing in the cities also extended to give good spans for set-top boxes business development. The Group is the market leader, obtaining technologies to win important project bids to support competitive prices under high costs of high-definition and satellite set-top boxes raw materials for economies of scale as preconditions to seize domestic market shares. As a result, the gross profit margin dropped to 27.8% (Year 2009: 34.7%), down by 6.9 percentage points.

LCD Modules

The Group's annual turnover for mainland China LCD modules sales reached HK$189 million (Year 2009: HK$106 million), rose HK$83 million or 78.3%.

The Group has been in LCD module business for five years, successfully gripping good shares in small-size LCD module market with exertion in matured LED backlight modules technology and efficient resources deployment in scaling production. The Group built stable customer base, providing the original equipment manufacturing ("OEM") services to international renowned brands. Besides expanding production capacity to Huizhou to cater for the increasing process volume needs, the Group also activated presence in the large-size LCD module market. The Group launched researches for large-size LED backlight module conduction and assembling technologies to accommodate China TV business unit development, expanding module productions for specific models.

The management directed guidance on regulatory manuals and structure of authority, strengthened resources and defective rate monitoring, achieving satisfactory results and ability to make growths for the LCD module business. As affected by individual customer pricing, gross profit margin for the Reporting Year was 18.1% (Year 2009: 21.8%), slipped by 3.7 percentage points.

(b) Overseas Markets

The Group's annual overseas market turnover reached HK$2,008 million (Year 2009: HK$1,866 million), rose HK$142 million or 7.6%, equivalent to 8.8% of overall turnover (Year 2009: 12.2%). The overall gross profit margin was 10.7% (Year 2009: 4.4%), improved by of 6.3 percentage points.

TV Products

The Group's overseas TV business generated HK$1,292 million (Year 2009: HK$1,454 million) turnover for the Reporting Year, slipped HK$162 million or 11.1%, accounting for 64.4% (Year 2009: 78.0%) of overall turnover of the segment.

During the Reporting Year, the Group's overseas TV sales improved its gross profit margin by 2.9 percentage points, showing effort to target uplifting overall efficiency by providing OEM and ODM services through integrating research, development and production resources with the China TV business unit. The Group established long-term strategic relationships with prestigious international TV brands, stepping up in negotiations with new strategic partners. Fundamental TV specifications had been the criteria to success in the overseas TV market, driving significant CRT TV demands in certain geographical segments. The financial crisis scaled down the Group's overseas TV sales to certain extents, declining CRT TV sales earlier in the Reporting Year. Customers repositioned markets with surging LCD TV demands and rising popularity towards LCD TVs brought upon gradually improvements in the Group's overseas TV sales.

Digital Set-top Boxes

The Group's overseas digital set-top boxes generated HK$710 million turnover for the Reporting Year (Year 2009: HK$408 million), up by HK$302 million or 74.0%, accounted for 35.4% of overall turnover of the segment (Year 2009: 21.9%).

The gradual expansion of digital set-top box demands in Europe, joining forces with positive feedbacks from new markets development, induced drastic digital set-top box sales in overall overseas market. The Group maintained collaborative relationships with corporate clients, enforced its recognition in the general public, yielding competitive advantages in bids for purchase orders. With relatively low costs of production, the Group established SMT production line to further reduce outsourcing to ensure low costs and good qualities. During the Reporting Year, the gross profit margin went up by 8.6 percentage points with better inventory and trade receivable turnovers, production efficiency, and reducing operational risks.

Turnover from Overseas Market by Geographical Distribution

	For the year ended 31 March 2010 (%)	For the year ended 31 March 2009 (%)
Asia (including Japan, Korea, Vietnam, etc.)	**21**	19
Europe	**37**	30
America	**30**	38
Middle East	**5**	8
Australia and New Zealand	**1**	1
Africa	**6**	4
	100	100

During the Reporting Year, the Group mainly focused on overseas markets in Asia, Europe and America, together contributed for 88% (Year 2009: 87%) of the total overseas turnover. Among them, the turnover from European market rose 7% due to clientele rearrangement. The turnover generated from Africa, Middle East, and Australia and New Zealand markets accounted for 12% (Year 2009: 13%) of the total overseas turnover.

(3) Selling and Distribution Expenses

The overall selling and distribution ("S&D") expenses for the Reporting Year amounted HK$2,968 million (Year 2009: HK$2,178 million), rose HK$790 million or 36.3%, consisting mainly marketing and promotional expenses, sales and marketing salaries, and transportation costs. The 13.0% (Year 2009: 14.2%) S&D expenses to turnover ratio show an improvement of 1.2 percentage points.

The Group incurred HK$995 million (Year 2009: HK$825 million) in branding and marketing campaigns, increased by HK$170 million or 20.6%. In accommodating new product releases, the Group launched a series of brand diffusing campaigns across the nation. In addition, technical presentations, image spokespersons, and advertisement spreads including broadcasting media to amplify the "Cool on Face, Joy from Heart" home entertainment image and to gain publicity of technological insights in TV products. To confront with growing presence of foreign brands, the Group channeled new sales drivers and enriched promoters' product knowledge. Corresponding variable costs to the sales leap included exhibition and flagship expenditures, promotional manpower expenses, and sales performance pays.

The Group formed special teams to maintain good quality controls. Rigorous quality controls effectively enhance overall product reliability, constraining guard warranty and maintenance costs to enhance brand and Group's reputation to maximise stakeholder interests in the long run. Excluding staff costs, the S&D-turnover ratio dropped 1.6 percentage points, demonstrating management's effective commands on above governance.

(4) General and Administration Expenses

The general and administration ("G&A") expenses was HK$680 million (Year 2009: HK$555 million), rose HK$125 million or 22.5%, with 3.0% (Year 2009: 3.6%) ratio to turnover, showing 0.6 percentage points improvement.

The success in sales drove up employee related expenditure during the Reporting Year. Good remuneration matching and reasonable escalations in salaries and welfare expenditure assisted the Group to breed human capital to strengthen the corporate backbone to perform, to manage, to learn with same culture and spirit. The Group also selected talents from campus recruitments to draw new corporate strengths and drivers in areas of software and hardware developments, technical supports, marketing, accounting, product designs.

Research and development expenditure dedicated environments for experts to perform sophisticated technology and trend explorations, yielding national certifications of high-tech enterprise. Through active participation in pilot projects at national and provincial levels, the Group demonstrated its advanced position in technology support programs as "Excellent Enterprise in Promoting China's Flat Panel Display Industry 2009", and attained vast precious patents to escalate the Group from a sustainable brand to a leading brand that promoted development of TV industry. The state-of-the-art product that most symbolised its innovation from recent development would be the world's first Real-Time Chatting TV, the COCO TV, which provides true 3C convergence by implanting real-time chat concept into TV through the Intel high-performance CE3100 Internet video communications platform.

Action plans implemented towards G&A expenses included:

- apply stringent principles, perform extra assessments in all operational risk aspects and reviews on provision adequacies when a leap in sales; and
- improve production planning, resources execution and coordination to promote system efficiency.

The management established sound management system, provided clear operational mandates and governance guidelines to ensure G&A expenses were of well spending practice and of the Group's interests. Also, the management obtained prompt reports from business units on operation quality to conduct regular reviews and updates on operational scopes, duties and controls to achieve cost objectives.

(5) Inventory Control

At the end of the Reporting Year, the Group held inventories with net carrying value amounted to HK$3,298 million (Year 2009: HK$1,267 million), up by HK$2,031 million or 1.6 times. The closing inventory accounted for 17.2% (Year 2009: 11.5%) total assets, up by 5.7 percentage points, mainly due to expansions in production scales and changes in raw material component structure, leading increases in overall inventory level and rising unit costs of finished goods.

With LCD TVs being the focal point of production, the cost of LCD panels yielded higher raw material costs to produce LCD TVs than that to produce CRT TVs, pushing up the carrying value of overall inventory. The urge to mark shares in markets relied on capabilities to gain product differentiations, giving a kickoff of comprehensive transformations in production lines and structures. The accelerating technological upgrades changed inventory structure, and led to volatile prices for new inventory components which imposed a direct impact on values of finished goods with added-on features. The coupled effect of surging TV sales and demands with quicker new product launches shaped large quantity of turnaround inventory, caused the Group to realign adequate raw material reserves to support production plans, mitigating risks of possible increases in future costs and output disruption. The increased inventory value imposed a temporary cash flow pressure; given consideration to the optimistic sales expectations and fast inventory turnover at present, the Group assessed the possibility of making provision on inventory falling prices risk is minimal.

Other controls included:

- Effective supply chain and logistics management – improve supply chain management system including further refine liaisons and communications between procurement, logistics, production processes, improve sensitivity on market prices, controls on product sourcing, unified supplies and distributions to ensure production efficiency, speed of product flow, and prevent accumulation of excessive inventory; and

- Inventory status as Key Performance Indicators ("KPI") criteria – using inventory turnover days, raw material shortage ratio, and inventory provision as evaluation basis for business unit performance to align the interests among business units and the Group as a whole.

At the end of the Reporting Year, the overall inventory turnover days was 47 days (Year 2009: 48 days). The inventory turnover days for raw materials and finished goods were 17 days and 27 days (Year 2009: 15 days and 29 days), respectively. The Group emphasises on risk managements in inventory and product cycle that cause potential externalities; also, sensitivity awareness to supplier markets, improving inventory cost observation and negotiation, shielding critical success in prevention of wastage and exploitation of capital flexibility.

(6) Trade Receivables and Bills Receivable

At the end of the Reporting Year, the Group's total trade receivables and bills receivable amounted to HK$8,522 million (Year 2009: HK$5,942 million), up by HK$2,580 million or 43.4%.

The receivable balance reflects in the 48.5% increase in overall turnover. Trade receivables amounted HK$1,584 million (Year 2009: HK$1,403 million), up HK$181 million or 12.9%; bills receivable amounted HK$6,938 million (Year 2009: HK$4,539 million), up HK$2,399 million or 52.9%. Receivables from TV and digital set-top box business units accounted for 81.6% and 12.8%, respectively. The 55.9% increase in TV business unit's turnover set rise for the 46.6% increase in receivables; as for the digital set-top boxes business unit, the 21.3% increase in receivables was also coherent with its 31.6% increase in turnover. The consistent growth in receivables with turnover and the significant declines in 90 days above trade receivables aging reflected the Group's competence in its credit and collection management.

(7) Trade Payables and Bills Payable

At the end of the Reporting Year, the Group's total trade payables and bills payable were HK$3,632 million (Year 2009: HK$3,054 million), up by HK$578 million or 18.9%.

The payable balance increased primarily reflected the large quantity procurements from soaring product demands, as well as the elevated TV and digital set-top box raw materials prices and the higher unit costs from product revolution. As the sales increase necessitated the needs to enhance trade payable settlements, the Group has undergone a series of settlement procedures and system optimisation, enhanced monitoring and controls by improving information system accuracy and payment timeliness, uplifted the Group's overall credibility.

LIQUIDITY AND FINANCIAL RESOURCES

At the end of the Reporting Year, the Group had HK$4,268 million (Year 2009: HK$2,757 million) net current assets, up by HK$1,511 million or 54.8%. In total, cash and cash equivalents amounted to HK$2,191 million (Year 2009: HK$1,385 million), up by HK$806 million or 58.2%. Pledged deposit amounted to HK$2,394 million (Year 2009: HK$154 million), up by HK$2,240 million or 14.5 times.

The Group had a net increase in cash and cash equivalents of HK$800 million (Year 2009: net decrease of HK$101 million). Although rapid increase in sales caused great demands in inventory and drove up bills receivables, creating a temporary net cash used in operating activities, the overall cash flow was positive. The Group closely monitors changes in the global financial market and related State policies, implemented and trailed strict measures to keep track of receivable settlements and operating cash flow conditions. To maintain liquidity adequacy for operation continuity, the Group facilitated various means of trade finance from banks and certain suppliers. At the end of the Reporting Year, the balance of the discounted bills with recourse amounted HK$3,428 million (Year 2009: HK$1,157 million), went up by HK$2,271 million or 2.0 times. Such discounted bills receivable with recourse would be released upon maturity. Utilised trade facilities and loans granted by various banks were secured by certain Group's assets, including HK$2,394 million (Year

2009: HK$154 million) bank deposits and HK$218 million net book value (Year 2009: HK$83 million) of land and properties within the mainland China and Hong Kong.

The Group adopted principle of prudence, and remained financially sounded. At the end of the Reporting Year, the Group had HK$968 million (Year 2009: HK$147 million) total bank borrowings, HK$5,773 million (Year 2009: HK$4,353 million) equity attributable to owners of the Company, yielding 16.8% (Year 2009: HK$3.4%) gearing ratio. Such bank borrowings excluded secured financial liabilities arrangements including HK$3,428 million (Year 2009: HK$1,157 million) for discounted bills and HK$2,325 million (Year 2009: HK$125 million) for non-deliverable forward contracts ("NDF"). With the aforesaid, such ratio would be 116.4% (Year 2009: 32.8%).

The maturity dates of the aforesaid NDF arrangements and related pledged contracts fall into the upcoming year, leading an increase in pledged deposits, mainly in RMB. Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY AND CASH FLOW MANAGEMENT

With investments mainly situated in mainland China, the Group's assets and liabilities are mainly denominated in Renminbi ("RMB"), and the remaining are denominated in Hong Kong dollars or US dollars. During the Reporting Year, the Group may require to carry out general trade financing to fulfill operation cash flow needs. The tightening of the State credit policy led to a substantial increase in associated financing costs. As a result, the Group increased the utilisations of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Reporting Year, the Group had recognised HK$29 million (Year 2009: HK$79 million) net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to relatively mild RMB fluctuations.

The management conducts regular needs analyses on hedging actions appropriating to both foreign currency and interest movements. There was no material appreciation in RMB against Hong Kong dollars. Given the Group used US dollars in certain operational settlements, and the optimistic view of anticipating RMB appreciation in the long run, the Group engaged into new NDF contracts with certain banks. Such contracts included pledged deposits in RMB, pairing with equivalent value borrowings in US dollars at agreed forward rates, aiming to maximise earnings from interest, foreign exchange, and fair value gains. At the end of the Reporting Year, the Group recognised HK$14 million (Year 2009: HK$43 million) net gains from NDF contracts and most will be expired in the upcoming year. For details of arrangements, please refer to note 36 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, certain rental properties with carrying value of HK$127 million was transferred from property, plant and equipment to investment properties in accordance with Hong Kong accounting standards. An addition of HK$97 million in construction projects were under way, including certain new production line projects, the ongoing construction of logistic centres, and the new construction phases for Guangzhou and Shenzhen production plants. These projects are positive influential to the productivity and bottleneck breakthroughs, providing tactics to complete orders on time. The Group had spent approximately HK$240 million on the exhibition hall and outdoor LED display in the Group's production plant in Shiyan, plants and other equipments including production line setups; and has planned to commit HK$159 million on plant and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK$64 million in strategic solutions through direct investments or available-for-sale investments in industries related to TV business, to constitute an infrastructure with audio-visual auxiliaries and product content supports for more integrated TV product development. The Group also committed US$133 million in the formation of a joint venture in China mainly engaged in production and sales of TFT-LCD panels, enhancing the Group's ability to source panels as it is the key component of LCD TV. To sustain further expansion, HK$35 million was invested for the establishment of new growth points including new digital display related business setups, and refrigerator and washing machine businesses, widening consumer choices of quality products.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities (Year 2009: nil) during the Reporting Year. The details of certain patent disputes are disclosed in note 48 to the consolidated financial statements in the annual report.

HUMAN RESOURCES CAPITAL

At 31 March 2010, the Group had 22,000 (Year 2009: 21,000) employees all over China (Hong Kong and Macau inclusive), including sales personnel situated throughout 40 branches and 169 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive plans, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set. Such details, along with information on the duties and services performed by the Remuneration Committee and Nomination Committee are disclosed in the Corporate Governance Report section.

SALES VOLUME TARGETS FOR THE NEW FINANCIAL YEAR

With reasonable forecasts on the upcoming economic and TV market conditions, the Group projects an aggregated annual target of 9.5 million sets TV sales volume for the new financial year, 7.5 million sets in the mainland China market and 2.0 million sets in the overseas market. The mainland China TV sales target consists of 5.5 million cold cathode fluorescent lamp ("CCFL") LCD backlight TVs and 2.0 million LED backlight LCD TVs. The Group plans to sell insignificant quantity of CRT TVs in the mainland China market.

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 2010 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 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, six are executive directors ("EDs") and two 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 34 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

During the financial year 2009/10, among the four INEDs of the Board Mr. Xie Zhengcai resigned on 28 December 2009, another INED of the Board, Mr. Tsui Tsin Tong, passed away on 2 April 2010. The Board is now in a transitional period and is in the process of identifying an appropriate person to fill the vacancy created by the regrettable passing away of Mr. Tsui Tsin Tong.

Currently, the two INEDs are experienced professionals with different expertise in accounting and legal. 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 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 four meetings during the year ended 31 March 2010. Of these, two meetings were held mainly for approving the 2008/09 final results and the 2009/10 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 2010, the EDs held 4 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 2010 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:				
Zhang Xuebin	4/4	100%	4/4	100%
Ding Kai	4/4	100%	4/4	100%
Leung Chi Ching, Frederick	4/4	100%	4/4	100%
Lin Wei Ping	4/4	100%	4/4	100%
Yang Dongwen	4/4	100%	4/4	100%
Independent non-executive Directors:				
So Hon Cheung, Stephen	4/4	100%	N/A	N/A
Li Weibin	3/4	75%	N/A	N/A
Xie Zhengcai	3/3	100%	N/A	N/A
Tsui Tsin Tong	2/2	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 2010.

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 http://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 2010 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 three members. The chairman of the Nomination Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin and Mr. Leung Chi Ching, Frederick. Except for Mr. Leung Chi Ching, Frederick is an ED, the remaining two 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 three meetings during the year ended 31 March 2010. The meetings were held to review the composition of the Board and to nominate an INED for the Board.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2010 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
So Hon Cheung, Stephen *(chairman)*	3/3	100%
Li Weibin	2/3	75%
Xie Zhengcai	3/3	100%
Tsui Tsin Tong	N/A	
ED:		
Leung Chi Ching, Frederick	3/3	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 three members. The chairman of the Remuneration Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin and Mr. Leung Chi Ching, Frederick. Except for Mr. Leung Chi Ching, Frederick is an ED, the remaining two members are 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 2010. 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 2009, 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 2010 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
So Hon Cheung, Stephen *(chairman)*	2/2	100%
Li Weibin	2/2	100%
Xie Zhengcai	2/2	100%
Tsui Tsin Tong	N/A	
ED:		
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 42 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 currently comprises two INEDs. The chairman of the Audit Committee is Mr. So Hon Cheung, Stephen and the other member is Mr. Li Weibin.

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: http://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 2010, the Audit Committee held four 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

- considered and made recommendation to the Board on the engagement of external auditors and the estimated audit fee for the year ended 31 March 2010.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2010 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
So Hon Cheung, Stephen *(Chairman)*	4/4	100%
Li Weibin	4/4	100%
Xie Zhengcai	4/4	100%
Tsui Tsin Tong	N/A	

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 2010, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;

- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;

- made judgments and estimates that are prudent and reasonable, and ensure the consolidated financial statements are prepared on a going concern basis; and

- ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

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

Internal controls

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

- achieve business objectives and safeguard assets against unauthorised use or disposition;

- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and

- ensure compliance with the relevant legislation and regulations.

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

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 2010, 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;

- reviewed and evaluated the manufacturing and production flow of the set-top box business unit;

- follow up the rectification after the review and evaluation of the stocktake procedures, stock storage conditions and stock management of the Group; and

- reviewed and evaluated the sales, rebate recognition and calculation of the China TV business unit.

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 2010, the Internal Audit Department issued 99 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 78 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 ("IA Annual Plan") to the Audit Committee and the Board of Directors for their approval, in order to match with the business strategy.

Internal control review

During the year, the Board, through the work performed by the Risk Management Department, conducted a review on the system of internal controls in accordance with the IA Annual 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 2010 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 2010 were as follows:

	For the year ended 31 March	
	2010	2009
Nature of services	**Amounts**	Amounts
	HK$'000	HK$'000
Audit service (including review of financial statements)	**8,144**	8,515
Tax related service	**153**	129
Total	**8,297**	8,644

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, announcements 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 47, is an executive director and the chief executive officer of the Company, and has been elected by the board to replace Mr. Wang Dianfu as executive chairman with effect from 1 April 2007. He is also a director of certain subsidiaries of the Company. Mr. Zhang joined the Group in March 2001. He is responsible for overseeing the business operations of the Group and implementing the strategies and policies as determined by the board from time to time. After his appointment as the executive chairman, Mr. Zhang is also responsible for the management of the board, and the formulation of corporate strategy and future directions of the Group. Mr. Zhang graduated from Zhongnan University of Economics and Law in the PRC with a bachelor degree in accountancy and a master degree in economics. Mr. Zhang had worked for Hainan Coconut Palm Group Company Limited from March 1991 to February 2001 and was appointed as its general manager in August 1997.

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

As at 31 March 2010, 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 page 51 to 58 of this annual report.

Ms. Ding Kai, aged 75, 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 2010, 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 page 51 to 58 of this annual report.

Mr. Leung Chi Ching, Frederick, aged 52, 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 27 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 2010, 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 page 51 to 58 of this annual report.

Ms. Lin Wei Ping, aged 52, 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 2010, 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 page 51 to 58 of this annual report.

Mr. Yang Dongwen, aged 45, 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 Oriental Yeyang Textile Co., Ltd. as president. He rejoined the Group in September 2005. Mr. Yang graduated from Zhongnan University of Economics and Laws in the PRC with a bachelor degree in economics and graduated from Nankai University in the PRC with a master degree in Law. He served as the director of the accountancy department and the associate professor of the School of Economics in Hainan University in the PRC in his early years. He was later the director of the Hainan Zhongda Certified Public Accountants firm.

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

As at 31 March 2010, 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 page 51 to 58 of this annual report.

Mr. Lu Rongchang, aged 64, was appointed as an executive director of the Company on 21 June 2010. Mr. Lu joined the Group in May 2006. He is the executive vice president of China TV business unit of the Group, the head of the Research Institute of the Group, and executive vice president, the general manager of the Research and Development Centre 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 17 years working experience as general manager and chief engineer for companies in television and other electronics industry, including Panda Electronics Group. Mr. Lu has achieved many national and provincial honors.

As at 31 March 2010, Mr. Lu 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 page 51 to 58 of this annual report.

Upon his appointment as executive director of the Company on 21 June 2010, he was granted 6,000,000 share options at the price of $6.58 per share pursuant to his employment contract with the Company. Save as disclosed above, Mr. Lu does not have any other interests in the shares of the Company within the meaning of Part XV of the SFO.

Independent Non-Executive Directors

Mr. So Hon Cheung, Stephen, aged 54, 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 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 2010, 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 page 51 to 58 of this annual report.

Mr. Li Weibin, aged 49, 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 25 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 2010, 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 page 51 to 58 of this annual report.

SENIOR MANAGEMENT

Mr. Liu Tangzhi

Aged 47, 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 54, 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 in 1982, 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 27 years. In 1996, he was awarded the title of senior engineer, has owned a number of national patent and national scientific and technological achievements.

Mr. Kuang Yubin

Aged 43, 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 17 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.

Directors and Senior Management Profiles (continued)

Mr. Hu Zhaohui

Aged 40, 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 52, joined the Group in July 1999, 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 33, 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 and 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 42, 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 members 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 22 years of working experience in various business management areas across auto parts, consumer electronics, and services industries. Her 17 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 Li Xiaofang

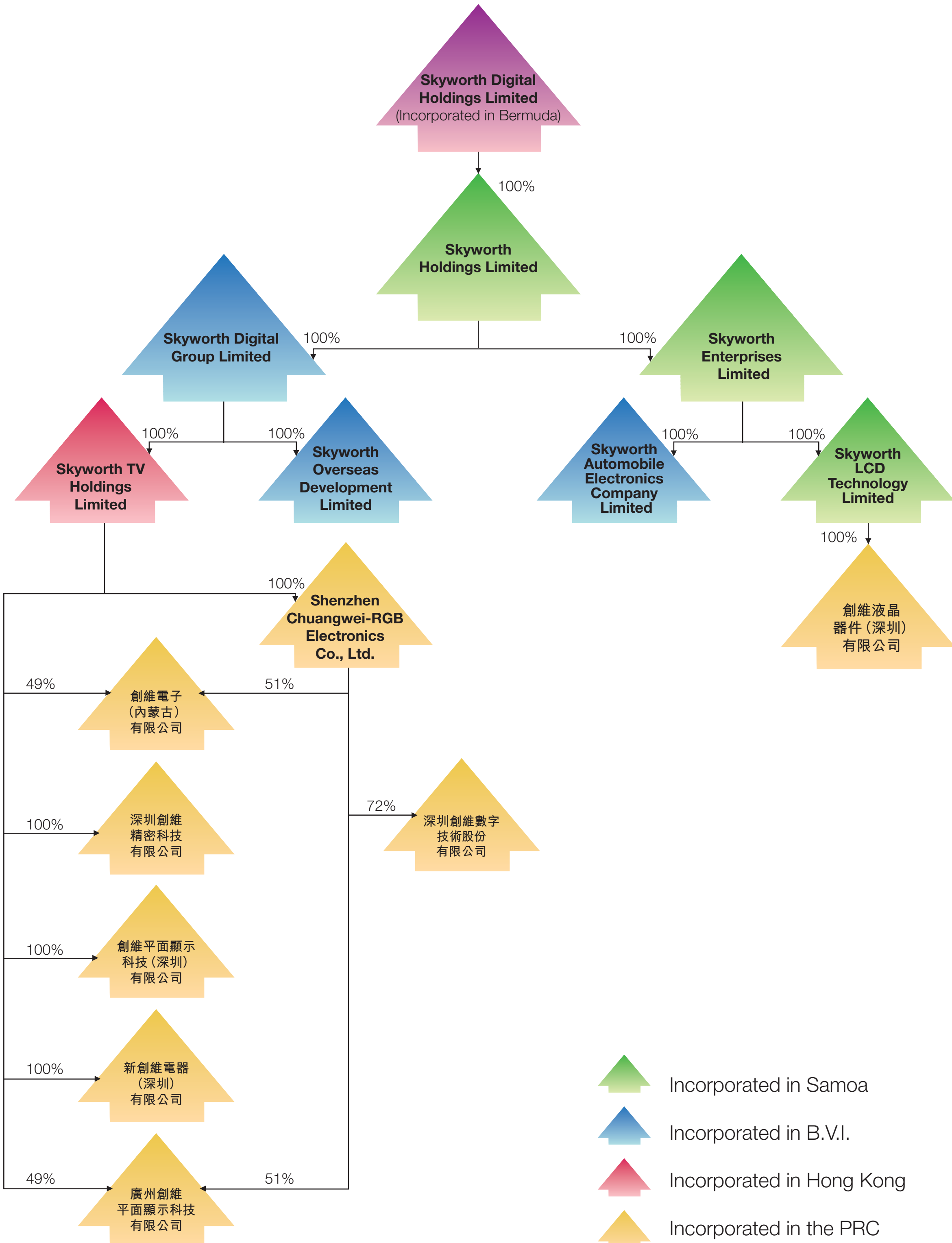
Aged 47, joined the Group in 2000 is the president and general manager of Skyworth LCD Modules (Shenzhen) Co., Ltd. Mr. Li graduated from Shanxi University of Technology with a bachelor degree in mechanical engineering in 1984; and graduated from Xian Jiaotong University with a master of management engineering 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

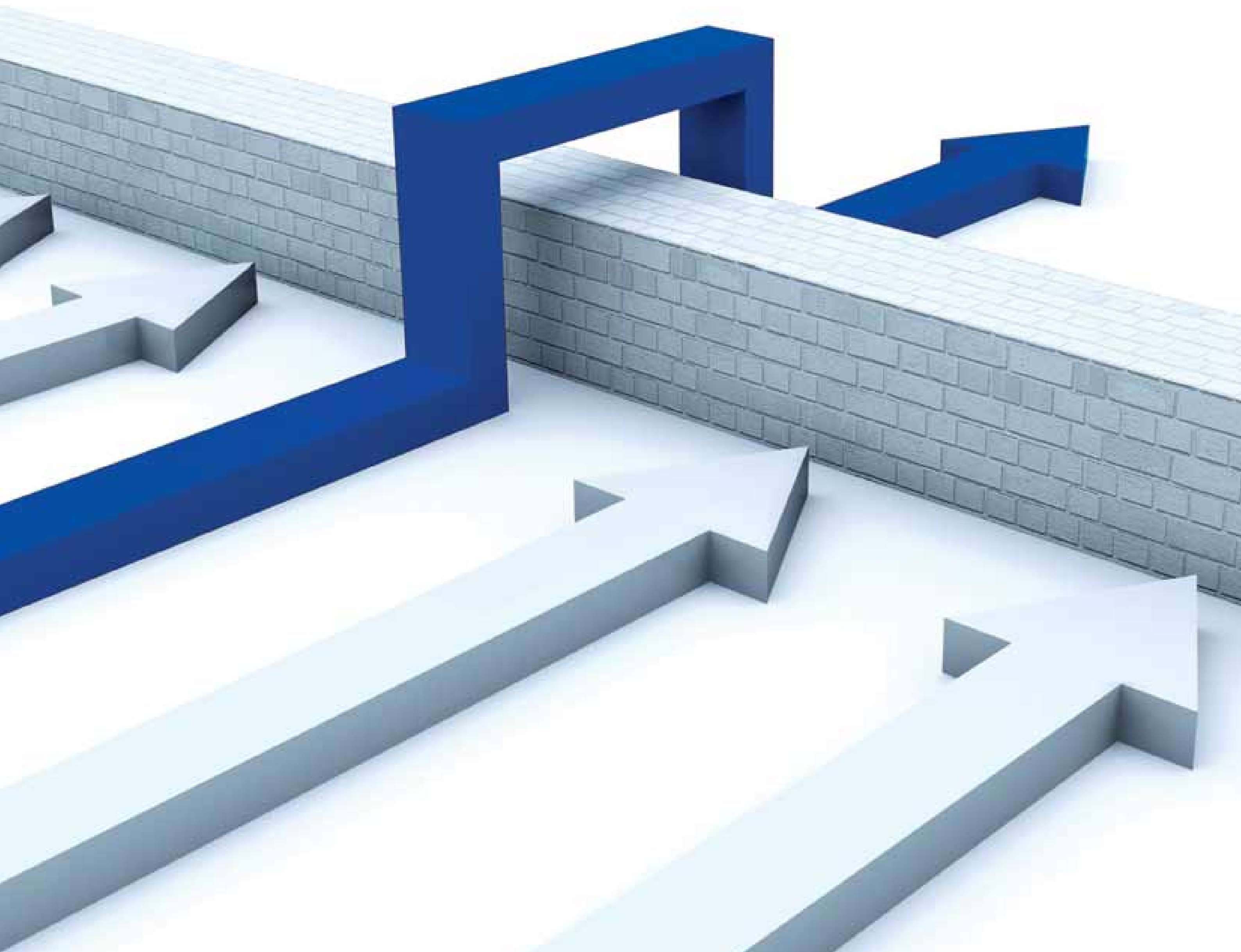
Aged 54, joined the Group in 2002, is the general manager of Skyworth Group Property Management Limited, the chief officer of capital construction headquarters, and director of certain subsidiaries of the Company. Ms. Shao graduated from Suzhou Vocational University major in economic management. In the 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 Fruitful Year

From 31 March 2009 to 31 March 2010, the Company's share price surged from HK$0.71 to HK$9.07. The Company's share price performance was the best in the Hong Kong stock market. Obviously, the outperformed earnings growth of the Group together with the encouraging outlook of the TV industry based on a huge replacement and technological upgrading cycle from cathode ray tube ("CRT") to liquid crystal display ("LCD") TV were the fundamental drivers of the surge.

Equally meaningful to the management was the surge of share price evidenced that their continuous and consistent efforts on using investors relations as a long term communication channel between the Group and the investors did create benefits. The intrinsic value of the Company was finally reflected in the share price, and thus the market capitalization, which enabled the Company to enjoy its growth with its shareholders.

An Eye-catching Stock for Institutional Investors

China Government's stimulating subsidy policies on home appliances to boost domestic consumption at the beginning of 2009 drawn lots of attention of investors to the home appliance sector which was at undemanding valuation. The Company, as the market leading brand in China TV industry with strong liquidity high profitability track record and sustainable competitive advantage swiftly became an icon stock in the sector. With the assistance of the corporate access teams of various professional investment banks, the fundamental elements of the Group's business and potential were efficiently elaborated to investors through overwhelming number of one-on-one meetings, conference calls, investment conferences and corporate days throughout the year.

Similar to the past years, non-deal roadshows in Hong Kong, Singapore, Tokyo, London, New York and other major business centers in Europe and US after annual and interim results announcement were actively conducted to provide continuous business updates to prospective investors and existing shareholders of the Company. General feedback from investors (including prospective investors, and former and existing shareholders) were that they highly appreciated for the Group's operational achievements, transparency and proactive investors relations.

Expanded Research Coverage by Investment Banks

Besides investors, the Company also appealed to equities research analysts of small-mid caps, consumption and technology sectors. They initiated reports to cover or keep track of the Company's business over the year. Experienced and reputable analysts overweighed the Company with positive stance on a medium to long term growth outlook of the industry, including stimulations by huge TV replacement cycle, digitalization and the rapid increase of rural consumption as well as the Company's competitive edges in distribution, brand, sales and marketing strategies and technology.

Investor Relations (continued)

Analysts Contact List 2009/10 (updated to June 2010 by alphabetical order)

Bertram Lai Head of Research, Hong Kong & China **CIMB Securities (HK) Ltd** Phone number: (852)2532 1111 Phone number: (852)6123 3993 Email: bertram.lai@cimb.com	**Chen Xiao Xia** Senior Analyst **First Shanghai Securities** Phone number: 86-755-33331815 Phone number: 86-15815597746 Email: xx.chen@firstshanghai.com.hk
Frank He Equity Research **Bank of China International** Phone number: (852)2905 2112 Email: frank.he@bocigroup.com	**Jane Wu** China Consumer Discretionary **CLSA** Research Limited Phone number: (852)2600 8325 Phone number: (852)6435 3598 Email: jane.wu@clsa.com
Jay Srivatsa Managing Director – Equity Research **Chardan Capital Markets** New York Phone number: 646-465-9065 Email: jsrivatsa@chardancm.com Website: http://www.chardancapitalmarkets.com	**Joseph W.K. HO** Associate Director Equity Research **Daiwa Capital Markets Hong Kong Limited** Phone number: (852)2848 4443 Email: joseph.ho@hk.daiwacm.com
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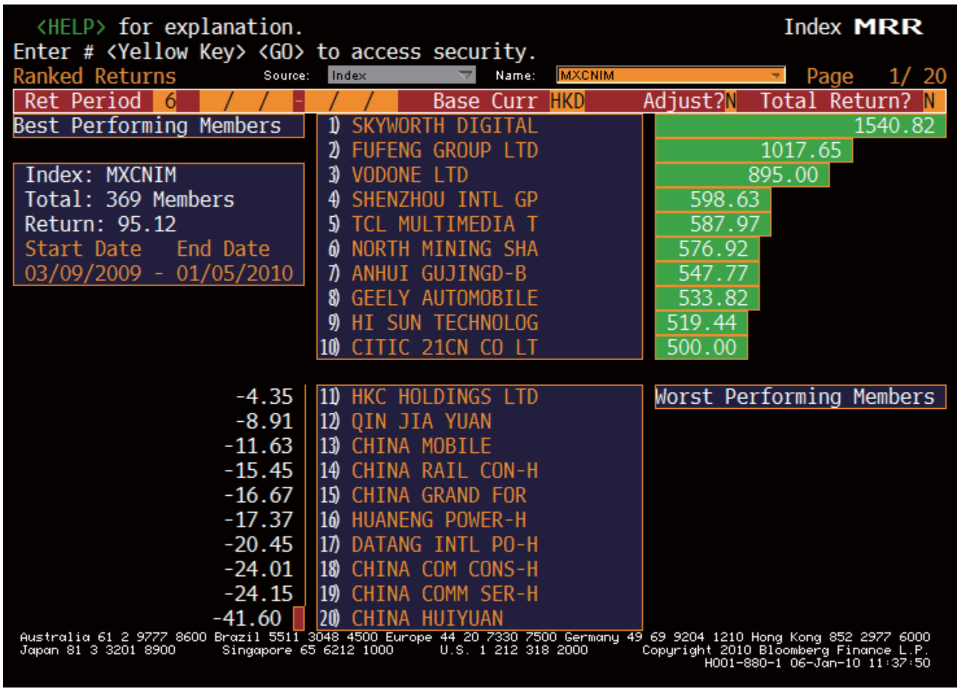
Marcus Au Research analyst **OSK Securities HK** Phone number: (852)2103 5842 Phone number: (852)9226 0042 Email: marcus.au@hk.oskgroup.com	**Wendy Huang, Wenqian** Home Appliance Analyst **CICC Research Department** Phone number: 86-2158796226 Ext.3284 Phone number: 86-13482525732 Email: huangwq@cicc.com.cn

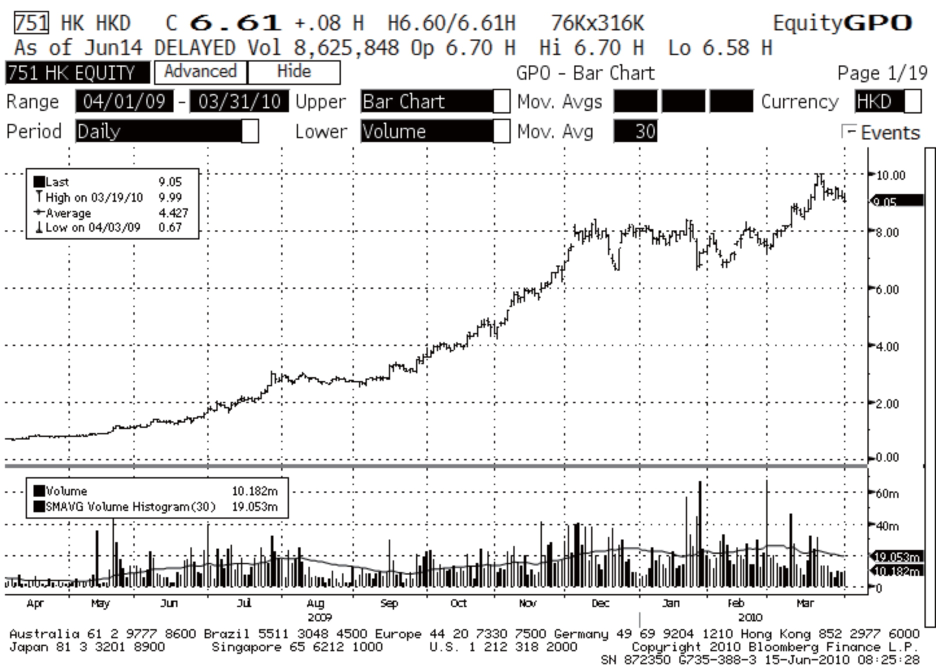
Investor Relations (continued)

Milestones

- Skyworth has been included as a constitute share in MSCI Global Market Index
- Skyworth was the best performance share in MSCI CHINA IMI INDEX in 2009



- Share Price Performance (1 April, 2009 – 31 March, 2010)

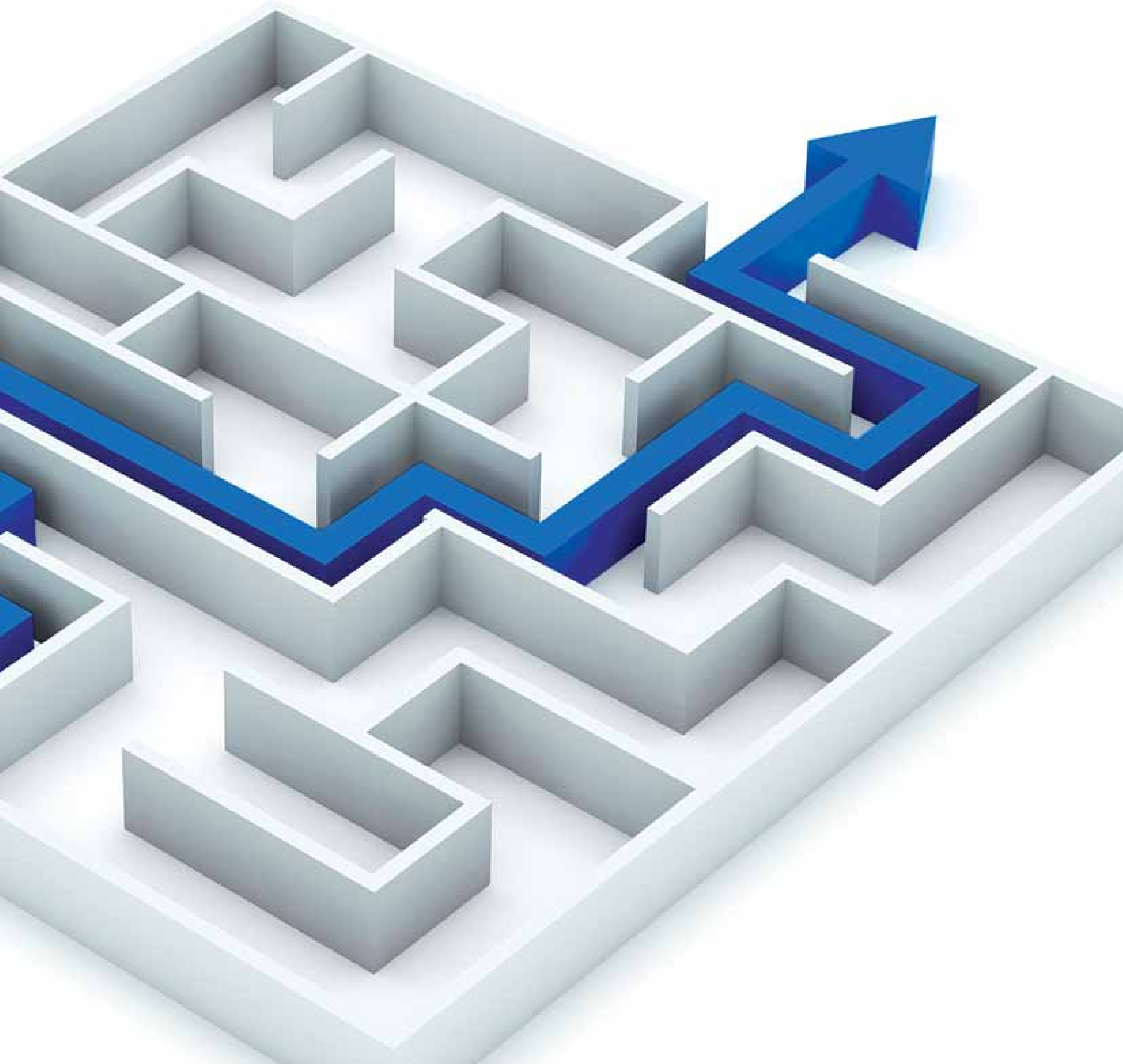


Calendar of Major IR Activities

April 2009 – March 2010

Time	Events
April 2009	• 2009/10 Skyworth New Products Show – Investors Tour • Apple Daily Finance Interview – "Home Appliances to Countryside"
May 2009	• TVB "Finance Magazine" Interview – "Home Appliances to Countryside" Subsidy Program • Ming Pao Finance Company Interview
July 2009	2008/09 Annual Results Announcement • Analysts Presentation, webcasting and conference calls • Press Conference • Post-result Hong Kong roadshow arranged by Deutsche Bank • Post-result Singapore roadshow arranged by Deutsche Bank and UOB Kay Hian • Post Annual Results Tokyo roadshow arranged by Normura • TVB Pearl "Money Magazine" Interview – Interview of "Home Appliances to Countryside" Subsidy Program
September 2009	• Credit Suisse China Emerging Corporate Days in Hong Kong & Singapore • 2008/09 annual general meeting & press briefing
October 2009	• Post Annual Results Europe and US roadshow arranged by CIMB Securities • Citi Greater China Investor Conference 2009 in Beijing
November 2009	• Investors and media factory tour
December 2009	2009/10 Interim Results Announcement • Analysts presentation, webcasting and conference calls • Press conference • Post-result Hong Kong & Singapore roadshows arranged by Credit Suisse • Post-result Kuala Lumpur roadshow arranged by CIMB Securities • Post interim results QDII roadshow arranged by Samsung Securities (Asia)
January 2010	• JP Morgan Hong Kong & China Small/Mid Cap Corporate Access Day in Hong Kong • Tokyo non-deal roadshow arranged by Daiwa Capital Markets Hong Kong • CLSA Hong Kong & China Corporate Day in Hong Kong • "The Bloomberg Edge" live interview – "The Best Performing Stock in MSCI China IMI Index 2009"
March 2010	• CLSA Asia USA Forum 2010 in San Francisco • US non-deal roadshow arranged by CLSA in Boston and New York • The 13th Credit Suisse Asian Investment Conference 2010 in Hong Kong • "The Bloomberg Edge" live interview "The Winning Stock in MSCI Asia-Pacific Index"

Directors' Report



The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010.

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 sale of consumer electronic products and upstream accessories, and property holding, details of which are set out in notes 51 and 22 of the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 63 of the annual report.

An interim dividend of HK8 cents (2009: HK1 cent) per share amounting to HK$200 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK8 cents (2009: HK7 cents) per share to the shareholders on the register of members of the Company on 1 September 2010, estimated to be HK$202 million, and the retention of the remaining profit for the year 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 164 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 21% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 48% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 20.78% 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$97 million in factory buildings and logistic centers 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$137 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 41 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 2010 amounted to approximately HK$1,264 million (2009: HK$1,603 million).

DONATIONS

During the year, the Group made charitable donations amounting to HK$366,538.

DIRECTORS

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

Executive directors:

Zhang Xuebin	*(Executive Chairman and Chief Executive Officer)*
Ding Kai	
Leung Chi Ching, Frederick	
Lin Wei Ping	
Yang Dongwen	
Lu Rongchang	(appointed on 21 June 2010)

Independent non-executive directors:

So Hon Cheung, Stephen	
Li Weibin	
Xie Zhengcai	(resigned on 28 December 2009)
Tsui Tsin Tong	(appointed on 12 November 2009 and passed away on 2 April 2010)

In accordance with Clauses 86 and 87 of the Company's bye-laws, Mr. Leung Chi Ching, Frederick, Mr. So Hon Cheung, Stephen and Mr. Yang Dongwen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Mr. Lu Rongchang was appointed on 21 June 2010. In accordance with Clause 12 of the Company's bye-laws, Mr. Lu Rongchang will retire and, being eligible, offer himself 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 on pages 34 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 22 to 32 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 49 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2010, 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 2010, certain Directors of the Company held 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		4,711,148	0.18%
	Held by trust	*(Note a)*	877,483,374	34.72%
	Held by spouse	*(Note b)*	57,551,906	2.28%
		(Note c)	939,746,428	37.18%
Yang Dongwen	Beneficial owner		12,000,939	0.47%
Zhang Xuebin	Beneficial owner		6,332,692	0.25%
Leung Chi Ching, Frederick	Beneficial owner		1,960,000	0.08%
Li Weibin	Beneficial owner		625,000	0.02%
Ding Kai	Beneficial owner		600,000	0.02%
So Hon Cheung, Stephen	Beneficial owner		263,513	0.01%
Lu Rongchang	Beneficial owner		250,331	0.01%

Notes:

(a) These shares are held by Target Success Group (PTC) 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 877,483,374 ordinary shares of the Company.

(b) Ms. Lin Wei Ping is deemed to be interested in 57,551,906 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 939,746,428 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 42 to the consolidated financial statements.

(ii) As at 31 March 2010, 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	7,250,000
Yang Dongwen	Beneficial owner	4,500,000
Ding Kai	Beneficial owner	4,500,000
So Hon Cheung, Stephen	Beneficial owner	375,000
Li Weibin	Beneficial owner	375,000
Lin Wei Ping	Beneficial owner	2,500,000
Leung Chi Ching, Frederick	Beneficial owner	4,500,000
Lu Rongchang	Beneficial owner	2,750,000
		26,750,000

(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 2009	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010
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	–	–
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	–	–

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 2009**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Outstanding at 31 March 2010**
Directors: *(continued)*								
Zhang Xuebin *(continued)*								
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
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	–	–

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

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

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

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

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

				Number of share options				
Date of grant	**Exercise price** HK$	**Vesting period**	**Exercisable period**	**Outstanding at 1 April 2009**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Outstanding at 31 March 2010**
Directors: *(continued)*								
Ding Kai *(continued)*								
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
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)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2009	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010
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

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

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

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2009	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010
Directors: *(continued)*								
Lu Rongchang								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	750,000	–	750,000	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	750,000	–	750,000	–	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	750,000	–	–	–	750,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	750,000	–	–	–	750,000
1 February 2008	0.77	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	250,000	–	250,000	–	–
		1 February 2008 to 31 January 2010	1 February 2012 to 29 August 2012	250,000	–	250,000	–	–
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	250,000	–	–	–	250,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	250,000	–	–	–	250,000
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	250,000	–	250,000	–	–
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	250,000	–	–	–	250,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	250,000	–	–	–	250,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	250,000	–	–	–	250,000
				89,000,000	–	62,250,000	–	26,750,000

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

Save as disclosed above, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, share options or underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2010.

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 42 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives, or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate, and none of them had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 March 2010.

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 2010, 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 (PTC) Limited	Trustee	*(Note a)*	877,483,374	34.72%
HSBC International Trustee Limited	Trustee	*(Note b)*	877,483,374	34.72%
Wong Wang Sang, Stephen	Beneficial owner		57,551,906	2.28%
	Held by spouse	*(Note c)*	882,194,522	34.90%
			939,746,428	37.18%
Halbis Capital Management (Hong Kong) Limited			130,886,935	5.18%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Note a: Target Success Group (PTC) 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 877,483,374 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 882,194,522 being the interests held by his spouse, Ms. Lin Wei Ping (877,483,374 shares held by Target Success Group (PTC) Limited and 4,711,148 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 2010.

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.

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 2010.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2010 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
30 June 2010

Independent Auditor's Report

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 162, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

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 2010 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
30 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010
Amounts expressed in HK$ million (except for earnings per share data)

	NOTES	2010	2009
Continuing operations			
Turnover	7	22,769	15,329
Cost of sales		(17,896)	(12,236)
Gross profit		4,873	3,093
Other income	9	402	236
Other gains and losses	10	33	104
Selling and distribution expenses		(2,968)	(2,178)
General and administrative expenses		(680)	(555)
Finance costs	11	(122)	(125)
Share of results of jointly controlled entities		14	9
Profit before taxation		1,552	584
Income taxes	12	(226)	(124)
Profit for the year from continuing operations		1,326	460
Discontinued operation			
Gain for the year from discontinued operation	13	–	43
Profit for the year	14	1,326	503
Other comprehensive income			
Exchange differences arising on translation to the Group's presentation currency		26	94
Surplus (deficit) on revaluation of available-for-sale investments		3	(10)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments		(2)	-
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		(2)	(6)
Reserves released upon disposal of subsidiary		–	(7)
Other comprehensive income for the year		25	71
Total comprehensive income for the year		1,351	574
Profit for the year attributable to:			
Owners of the Company		1,251	460
Non-controlling interests		75	43
		1,326	503
Total comprehensive income for the year attributable to:			
Owners of the Company		1,276	529
Non-controlling interests		75	45
		1,351	574

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010
Amounts expressed in HK$ million (except for earnings per share data)

	NOTE	2010	2009
Earnings per share (expressed in HK cents)			
From continuing and discontinued operations			
Basic	18	**52.32**	20.15
Diluted	18	**49.46**	20.10
From continuing operations			
Basic	18	**52.32**	18.26
Diluted	18	**49.46**	18.22

Consolidated Statement of Financial Position

At 31 March 2010
Amounts expressed in HK$ million

	NOTES	2010	2009
Non-current assets			
Property, plant and equipment	19	1,399	1,433
Investment properties	20	125	–
Prepaid lease payments on land use rights	21	230	234
Interests in jointly controlled entities	22	156	113
Interest in an associate	23	–	–
Other receivable	24	90	84
Available-for-sale investments	25	43	29
Prepayment		12	20
Deferred tax assets	26	35	31
		2,090	1,944
Current assets			
Inventories	27	3,298	1,267
Prepaid lease payments on land use rights	21	5	5
Trade and other receivables	28	2,276	1,759
Bills receivable	29	6,938	4,539
Derivative financial instruments	36	4	–
Amounts due from minority shareholders of subsidiaries	30	–	1
Amounts due from jointly controlled entities	30	13	9
Held for trading investments	31	13	–
Pledged bank deposits	32	2,394	154
Bank balances and cash	32	2,191	1,385
		17,132	9,119
Current liabilities			
Trade and other payables	33	5,189	4,322
Bills payable	34	586	191
Obligation arising from put options written to non-controlling interests	35	84	178
Derivative financial instruments	36	11	1
Provision for warranty	37	40	36
Amounts due to jointly controlled entities	38	1	12
Amounts due to minority shareholders of subsidiaries	38	14	–
Tax liabilities		178	125
Secured bank borrowings	39	6,721	1,429
Deferred income	40	40	68
		12,864	6,362
Net current assets		4,268	2,757
Total assets less current liabilities		6,358	4,701

Consolidated Statement of Financial Position

At 31 March 2010
Amounts expressed in HK$ million

	NOTES	2010	2009
Non-current liabilities			
Obligation arising from put options written to non-controlling interests	35	159	–
Provision for warranty	37	32	31
Deferred income	40	215	201
Deferred tax liabilities	26	98	65
		504	297
NET ASSETS		5,854	4,404
Capital and reserves			
Share capital	41	253	228
Share premium		1,665	1,188
Share option reserve		91	84
Investment revaluation reserve		4	3
Surplus account		38	38
Capital reserve		277	202
Exchange reserve		511	487
Accumulated profits		2,934	2,123
Equity attributable to owners of the Company		5,773	4,353
Non-controlling interests		81	51
		5,854	4,404

The consolidated financial statements on pages 63 to 162 were approved and authorised for issue by the board of directors on 30 June 2010 and are signed on its behalf by:

Zhang Xuebin
DIRECTOR

Leung Chi Ching, Frederick
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010
Amounts expressed in HK$ million

	Attributable to owners 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	Non-controlling interests	Total
Balance at 1 April 2008	229	1,196	73	13	38	178	408	1,813	3,948	4	3,952
Profit for the year	–	–	–	–	–	–	–	460	460	43	503
Exchange differences arising on translation to the Group's presentation currency	–	–	–	–	–	–	92	–	92	2	94
Deficit on revaluation of available-for-sale investments	–	–	–	(10)	–	–	–	–	(10)	–	(10)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Reserves released upon disposal of subsidiary	–	–	–	–	–	–	(7)	–	(7)	–	(7)
Total comprehensive (loss) income 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	–	1
Shares repurchased and cancelled	(1)	(9)	–	–	–	–	–	–	(10)	–	(10)
Dividend recognised as distribution (note 17)	–	–	–	–	–	–	–	(126)	(126)	–	(126)
Contributions from non–controlling interests	–	–	–	–	–	–	–	–	–	2	2
Balance at 31 March 2009	**228**	**1,188**	**84**	**3**	**38**	**202**	**487**	**2,123**	**4,353**	**51**	**4,404**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010
Amounts expressed in HK$ million

	Attributable to owners 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	Non-controlling interests	Total
Profit for the year	-	-	-	-	-	-	-	1,251	1,251	75	1,326
Exchange differences arising on translation to the Group's presentation currency	-	-	-	-	-	-	26	-	26	-	26
Surplus on revaluation of available-for-sale investments	-	-	-	3	-	-	-	-	3	-	3
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the year	-	-	-	1	-	-	24	1,251	1,276	75	1,351
Recognition of equity-settled share-based payments	-	-	7	-	-	-	-	-	7	-	7
Transfer to capital reserve	-	-	-	-	-	75	-	(75)	-	-	-
Issue of shares under share option scheme	19	235	-	-	-	-	-	-	254	-	254
Issue of shares under scrip dividend scheme	6	242	-	-	-	-	-	-	248	-	248
Dividend recognised as distribution (note 17)	-	-	-	-	-	-	-	(365)	(365)	-	(365)
Adjustment arising from obligation from put options written to non-controlling interests	-	-	-	-	-	-	-	-	-	(60)	(60)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	24	24
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(9)	(9)
Balance at 31 March 2010	253	1,665	91	4	38	277	511	2,934	5,773	81	5,854

Note a: Surplus account as at 31 March 2010 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.

Note b: Capital reserve as at 31 March 2010 represented The People's Republic of China (the "PRC") statutory reserves of HK$277 million (2009: HK$202 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 Statement of Cash Flows

For the year ended 31 March 2010
Amounts expressed in HK$ million

	2010	2009
OPERATING ACTIVITIES		
Profit before taxation	1,552	627
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	6	5
Cumulative gain reclassifed from equity on disposal of investments classified as available-for-sale	(2)	–
Depreciation of investment properties	2	–
Depreciation of property, plant and equipment	218	181
Dividend income	(8)	(4)
Fair value adjustment upon initial recognition of trade receivables	2	28
Fair value adjustment upon initial recognition of other receivable	–	29
Finance costs	122	125
Gain on disposal of a subsidiary	–	(43)
(Gain) loss on disposal of property, plant and equipment	(4)	2
Impairment loss recognised in respect of available-for-sale investments	–	2
Impairment loss on bills receivable	15	–
Impairment loss on trade receivables	47	11
Imputed interest income from trade receivables	(19)	(8)
Imputed interest income from other receivable	(6)	(4)
Interest income from bank deposits	(51)	(57)
Loss (gain) from change in fair value of derivative financial instruments	1	(29)
Provision for warranty	5	38
Reversal of provision on onerous contracts	–	(8)
Share-based payment expenses	15	19
Share of results of jointly controlled entities	(14)	(9)
Write-back of inventories	(4)	–
Operating cash flows before movements in working capital	1,877	905
(Increase) decrease in inventories	(2,011)	613
Increase in trade and other receivables	(493)	(13)
Increase in bills receivable	(2,378)	(45)
Increase in held for trading investments	(13)	–
(Increase) decrease in amounts due from jointly controlled entities	(4)	20
(Decrease) increase in amounts due to jointly controlled entities	(11)	11
Increase in amounts due to minority shareholders of subsidiaries	1	–
Increase (decrease) in trade and other payables	806	(802)
Increase in bills payable	395	107
(Decrease) increase in deferred income	(14)	110
Cash (used in) from operations	(1,845)	906
Hong Kong Profits Tax paid	(1)	–
PRC income tax paid	(141)	(112)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,987)	794

Consolidated Statement of Cash Flows

For the year ended 31 March 2010
Amounts expressed in HK$ million

	NOTE	2010	2009
INVESTING ACTIVITIES			
Dividend received		19	4
Interest received		13	84
Purchase of property, plant and equipment		(339)	(315)
Proceeds on disposal of property, plant and equipment		43	5
Prepaid lease payments on land use rights		–	(7)
Disposal of a subsidiary	44	–	(2)
Cash investment in jointly controlled entities		(41)	(41)
Increase in other receivable		–	(109)
Proceeds on disposals of available-for-sale investments		2	–
Purchase of available-for-sale investments		(13)	(2)
(Increase) decrease in pledged bank deposits		(2,240)	1,692
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(2,556)	1,309
FINANCING ACTIVITIES			
Interest paid		(76)	(187)
Dividends paid		(125)	(125)
Contributions from non-controlling interests		24	2
Repayment from minority shareholders of subsidiaries		1	11
Issue of shares		254	–
Repurchase of shares		–	(10)
Repayment of borrowings		(279)	(2,507)
New bank borrowings		2,610	332
Net funds arising from discounted bills with recourse		2,934	280
NET CASH FROM (USED IN) FINANCING ACTIVITIES		5,343	(2,204)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		800	(101)
CASH AND CASH EQUIVALENTS AT 1 APRIL		1,385	1,389
Effect of foreign exchange rate changes		6	97
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash		2,191	1,385

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 ("HK$") as the directors consider that HK$ is the appropriate presentation currency as the management of the Company controls and monitors the performance and financial position of the Group using HK$.

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 sales of mobile phones. That operation was discontinued during the year ended 31 March 2009 (see note 13). Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 51 and 22 respectively.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programme
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8).

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 February 2010
[6] Effective for annual periods beginning on or after 1 January 2010
[7] Effective for annual periods beginning on or after 1 July 2010
[8] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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") of the Stock Exchange and by the Hong Kong Companies Ordinance.

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 statement of comprehensive income from the effective date of acquisition and 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.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation 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 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 includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost (includes all development expenditure and the direct costs including borrowing costs capitalised attributable to such projects) less any recognised impairment loss. Construction in progress is classified 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 profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation. Subsequent to the change, the property is stated at deemed cost, equivalent to the carrying amount of the property at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments on land use rights

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, the leasehold interests in land are classified as prepaid lease payments on land use rights under operating leases and amortised over the lease term on a straight-line basis.

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Impairment losses on tangible assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. An 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 in the consolidated statement of financial position 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 statement of financial position 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.

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 to the net carrying amount on initial recognition.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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. Subsequent to initial recognition, loans and receivables (including other receivable, trade and other receivables, bills receivable, amounts due from minority shareholders of subsidiaries, amounts due from jointly controlled entities, pledged bank deposits and bank balances and cash) 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment on financial assets below).

For 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, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 other comprehensive income and accumulated in investment revaluation reserve.

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement 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, amounts due to minority shareholders of subsidiaries and secured bank borrowings) are subsequently 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 the end of the reporting period. 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 options on shares of a subsidiary written to non-controlling interests

Financial liabilities arising from put options written to acquire the non-controlling interests in a subsidiary (that will be settled by delivery of a fixed amount of shares for a fixed amount of cash) are measured at the present value of the obligations to deliver the fixed amount of cash when the put options are exercised. On initial recognition of the liabilities, the corresponding entry is recognsied as non-controlling interests. At the end of each reporting period, liabilities are recognised using the effective interest method. Interest expense determined using the effective interest method is recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks 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 and the cumulative gain or loss that had been recognised in other comprehensive income 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 collateralised 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value (where the effect is material).

Onerous contracts represent purchase contract for certain business where the unavoidable costs to meet 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 statement of financial position.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss 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

Operating lease payments are recognised as an expense 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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

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.

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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange reserve).

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries, and interests in jointly controlled entities and an associate, 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 the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit schemes contributions

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are charged as an expense 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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Where ordinary shares of the Group's subsidiary are sold to employees of the same subsidiary at a consideration below the fair value of the shares at the time of the disposal, the excess of the fair value of the ordinary shares disposed of over the consideration received is expensed on a straight-line basis over the service period to be provided by the employees. Where such share sale arrangements also contain contingent obligations to deliver cash in exchange for the subsidiary's ordinary shares, such obligations are measured on initial recognition at the best estimate of the share redemption amount that could be required to be paid when the employee exercise the put options. The corresponding entry is recognised as an adjustment to non-controlling interests. At the end of each reporting period, such obligations are measured at the best estimate of the redemption amount that could be required to be paid when the employees exercise the put options. Changes in the carrying amount of such obligations are recognised as adjustments to non-controlling interests.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 profit or loss as a reduction of sales proceeds and subsequently allocated to profit or loss as interest income using the effective interest rate over the interest-free period.

Revenue from sales of goods is recognised when the 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 on initital recognition.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In connection with the preparation of the Group's consolidated financial statements in accordance with the Group's accounting policies as described in note 3, the management has made judgements, estimates and assumptions about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosures.

Based on historical experience, current trends and other factors, the management makes assumptions and best estimates which are relevant at the time when the consolidated financial statements are prepared. Management believes that the following assumptions and accounting estimates are the most critical to aid in fully understanding and evaluating the results of the Group.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 2010, allowance for inventories of HK$4 million (2009: nil) was written back that was mainly due to the subsequent sales of the related inventories in the current year.

The determination of the amount of allowance requires judgement because the assessment of net realisable values of inventories requires management to make assumptions and to apply judgement regarding forecast consumer demand, the promotion activities, 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.

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 2010, impairment loss of HK$47 million (2009: HK$11 million) is made on trade receivables. The impairment loss calculation requires judgement because management is required to make assumptions and to apply judgement regarding historical settlement experience, debt aging, financial status of customers and general economic conditions. 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, an additional impairment loss may have to be recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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

Provision for warranty

Being an industry practice, the Group provides one to 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 2010, provision for warranty of HK$89 million (2009: HK$52 million) is made for the products sold during the year. The amount of the provision for the warranty requires judgement because it requires management to estimate 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 44, the Group disposed of its subsidiary operating in mobile phones business during the year ended 31 March 2009. 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 consolidated statement of financial position, 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 39, net of cash and cash equivalents and equity attributable to owners 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 HK$ million	2009 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	13,379	7,657
Held for trading investments	13	–
Available-for-sale financial assets	43	29
Derivative financial instruments	4	–
Financial liabilities		
Liabilities at amortised cost	12,063	5,626
Derivative financial instruments	11	1

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivable, available-for-sale investments, trade and other receivables, bills receivable, amounts due from minority shareholders of subsidiaries, amounts due from jointly controlled entities, held for trading investments, pledged bank deposits, bank balances, trade and other payables, bills payable, obligation arising from put options written to non-controlling interests, derivative financial instruments, amounts due to jointly controlled entities, amounts due to minority shareholders of subsidiaries 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, interest rate risk and price 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, interest rate and equity price.

Currency risk

The Group's sales in the PRC represents over 91% (2009: 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 currently has entered into foreign currency forward contracts to reduce the currency exposures arising from borrowings denominated in the United States dollars. The Group has not accounted for such forward contracts using hedge accounting and they are deemed as financial assets or financial liabilities held for trading. The management manages its foreign currency risk by closely watching the movement of the foreign currency rate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS *(continued)*

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

***Market risk** (continued)*

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
United States Dollars ("US$")	**707**	291	**3,684**	374
Hong Kong Dollars ("HK$")	**77**	27	**4**	37

The directors of the Company considered that the foreign currency forward contracts are naturally hedged with borrowings denominated in United States Dollars as disclosed in note 36, as the principal amounts and the maturity dates of these foreign currency borrowings and foreign currency forward contracts are similar. Accordingly, in the opinion of the directors of the Company, the net foreign currency exposure arising from the forward contracts and the US$ denominated bank borrowings is insignificant.

Currency risk sensitivity analysis

The Group mainly exposes to fluctuation against foreign currencies of US$ and HK$. The following table only details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in the relevant foreign currencies against Renminbi ("RMB"). 5% (2009: 5%) is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items excluding certain foreign currency loans and the relevant forward foreign exchange contracts as disclosed above and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. The sensitivity analysis includes trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payable as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ or HK$ weakens 5% against RMB. For a 5% (2009: 5%) strengthening of US$ or HK$ against RMB, there would be an equal and opposite impact on the profit for the year.

	2010	2009
	HK$ million	HK$ million
Profit for the year		
US$ against RMB	**33**	4
HK$ against RMB	**(4)**	1

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

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 39 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 39 for details of the borrowings).

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 end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year. If interest rates on interest bearing bank borrowings had been 50 (2009: 50) basis points higher/lower and all other variables were held constant, the profit for the year would increase/decrease by approximately HK$4 million (2009: HK$4 million).

Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity investments operating in banking industry sector quoted in the Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2009: 10%) higher/lower:

- post-tax profit for the year ended 31 March 2010 would increase/decrease by HK$1 million (2009: increase/decrease by nil) as a result of the changes in fair value of held for trading investments; and

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS *(continued)*

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

***Market risk** (continued)*

Price risk (continued)

Price risk sensitivity analysis (continued)

- investment valuation reserve would increase/decrease by HK$1 million (2009: increase/decrease by HK$1 million) for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to available-for-sale investments and held-for-trading investments has not changed significantly from the prior year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 and to enter into export credit insurance contracts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period 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 utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2010, the Group has available unutilised bank borrowing facilities of approximately HK$7,734 million (2009: HK$3,072 million).

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$ million	1 to 3 months HK$ million	Over 3 months but not more than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flows HK$ million	Carrying amount at 31.3.2010 HK$ million
2010							
Non-derivative financial liabilities							
Trade and other payables	–	2,093	2,123	282	–	4,498	4,498
Bills payable	–	169	249	168	–	586	586
Obligation arising from put options written to non-controlling interests *(note 35(a))*	–	84	–	–	–	84	84
Obligation arising from put options written to non-controlling interests *(note 35(b))*	10.00	–	–	–	217	217	159
Amounts due to jointly controlled entities	–	1	–	–	–	1	1
Amounts due to minority shareholders of subsidiaries	–	14	–	–	–	14	14
Secured bank borrowings – variable rate	1.95	176	794	–	–	970	957
Secured bank borrowings – fixed rate	2.65	942	1,891	2,983	–	5,816	5,764
		3,479	5,057	3,433	217	12,186	12,063
Derivatives settled net							
Foreign currency forward contracts, net	–	1	(1)	6	–	6	6
Target redemption forward contract	–	–	–	1	–	1	1
		1	(1)	7	–	7	7

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 HK$ million	1 to 3 months HK$ million	Over 3 months but not more than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flows HK$ million	Carrying amount at 31.3.2009 HK$ million
2009							
Non-derivative financial liabilities							
Trade and other payables	–	2,354	1,237	225	–	3,816	3,816
Bills payable	–	64	63	64	–	191	191
Obligation arising from put options written to non-controlling interests *(note 35(a))*	–	24	–	–	–	24	24
Obligation arising from put options written to non-controlling interests *(note 35(b))*	10.00	–	–	168	–	168	154
Amounts due to jointly controlled entities	–	12	–	–	–	12	12
Secured bank borrowings – variable rate	4.44	3	111	34	–	148	147
Secured bank borrowings – fixed rate	1.55	190	441	653	–	1,284	1,282
		2,647	1,852	1,144	–	5,643	5,626
Derivatives settled net							
Foreign currency forward contracts, net	–	–	–	1	–	1	1

(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 in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments as disclosed in note 36) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rate from observable current market transactions as input;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	2010		2009	
	Carrying amount HK$ million	Fair value HK$ million	Carrying amount HK$ million	Fair value HK$ million
Other receivable	90	94	84	83

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Available-for-sale financial assets				
Listed equity securities	5	–	–	5
Held for trading investments				
Listed equity securities	13	–	–	13
Derivative financial instruments				
Foreign currency forward contracts	–	6	–	6
Target redemption forward contract	–	1	–	1
	–	7	–	7

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For the year ended 31 March 2010

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	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Sales of TV products	**20,539**	13,799	**–**	–	**20,539**	13,799
Sales of digital set-top boxes	**1,895**	1,309	**–**	–	**1,895**	1,309
Sales of LCD modules	**189**	106	**–**	–	**189**	106
Sales of mobile phones	**–**	–	**–**	58	**–**	58
Sales of other electronic products	**79**	49	**–**	–	**79**	49
Property rental income	**67**	66	**–**	–	**67**	66
	22,769	15,329	**–**	58	**22,769**	15,387

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. TV products, digital set-top boxes, other electronics products, property holding). However, information reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment had further categorised the Group's reportable and operating segments as follows:

1.	TV products (PRC market)	– design, manufacture and sale of televisions in the PRC
2.	TV products (overseas market)	– design, manufacture and sale of televisions in overseas market
3.	Digital set-top boxes	– design, manufacture and sale of digital set-top boxes
4.	LCD modules	– design, manufacture and sale of LCD modules
5.	Other electronic products	– design, manufacture and sale of other products mainly relate to electronics
6.	Property holding	– leasing of property

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

Information regarding the above segments from continuing operations is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment information about these businesses is presented below.

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For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 March 2010

Continuing operations

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Turnover								
External sales and rental income	19,181	1,358	1,895	189	79	67	–	22,769
Inter-segment sales and rental income	96	–	–	338	63	57	(554)	–
Total	19,277	1,358	1,895	527	142	124	(554)	22,769
Results								
Segment results	1,229	–	272	61	10	36	–	1,608
Interest income								76
Unallocated corporate expenses less income								(24)
Finance costs								(122)
Share of results of jointly controlled entities								14
Profit before taxation (continuing operations)								1,552

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 March 2009

Continuing operations

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Turnover								
External sales and rental income	12,282	1,517	1,309	106	49	66	–	15,329
Inter-segment sales and rental income	12	8	–	87	60	37	(204)	–
Total	12,294	1,525	1,309	193	109	103	(204)	15,329
Results								
Segment results	514	(28)	191	31	(2)	24	–	730
Interest income								69
Unallocated corporate expenses less income								(99)
Finance costs								(125)
Share of results of jointly controlled entities								9
Profit before taxation (continuing operations)								584

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by (loss from) each segment without allocation of corporate income less expenses, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 March 2010

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Assets								
Segment assets	10,984	667	1,565	101	130	633	–	14,080
Interests in joint controlled entities								156
Unallocated corporate assets								4,986
Total consolidated assets								19,222
Liabilities								
Segment liabilities	4,340	491	1,065	105	53	12	–	6,066
Unallocated corporate liabilities								7,302
Total consolidated liabilities								13,368

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

As at 31 March 2009

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Assets								
Segment assets (continuing operations)	6,768	370	1,043	20	120	643	–	8,964
Interests in joint controlled entities								113
Unallocated corporate assets								1,986
Total consolidated assets								11,063
Liabilities								
Segment liabilities (continuing operations)	3,773	422	542	27	34	33	–	4,831
Unallocated corporate liabilities								1,828
Total consolidated liabilities								6,659

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in jointly controlled entities, interest in an associate, available-for-sale investments, deferred tax assets, derivative financial instruments, amounts due from minority shareholders of subsidiaries, held for trading investments, pledged bank deposits, bank balances and cash, and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than obligation arising from put options written to non-controlling interests, derivative financial instruments, amounts due to jointly controlled entities, amounts due to minority shareholders of subsidiaries, tax liabilities, secured bank borrowings, deferred income, deferred tax liabilities and other unallocated corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 March 2010

Continuing operations

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Amortisation of prepaid lease payments on land use rights	3	–	1	–	–	2	–	6
Capital expenditure on								
– Property, plant and equipment	237	13	30	23	7	29	–	339
– Prepaid lease payments for land	–	–	–	–	–	–	–	–
Depreciation of								
– Property, plant and equipment	129	23	10	5	17	34	–	218
– Investment properties	–	–	–	–	–	2	–	2
Write-down (write-back) of inventories	6	(22)	10	3	(1)	–	–	(4)

For the year ended 31 March 2009

Continuing operations

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD Modules HK$ million	Other electronic products HK$ million	Property holding HK$ million	Eliminations HK$ million	Total HK$ million
Amortisation of prepaid lease payments on land use rights	4	–	–	–	–	1	–	5
Capital expenditure on								
– Property, plant and equipment	266	9	9	3	5	23	–	315
– Prepaid lease payments for land	–	–	7	–	–	–	–	7
Depreciation of								
– Property, plant and equipment	88	41	7	3	11	31	–	181
– Investment properties	–	–	–	–	–	–	–	–
Write-down (write-back) of inventories	17	–	1	3	(7)	–	–	14

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in the PRC, Asia region (other than the PRC), Europe and other regions.

For segments other than property holding, the Group's geographical analysis of revenue from continuing operations from external customers is determined based on the location of customers. For the property holding segment, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by geographical location of the assets are also detailed below.

	Revenue from external customers		Non-current assets (Note)	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**20,761**	13,463	**1,740**	1,645
Asia region (other than PRC)	**416**	346	**3**	4
Europe	**734**	575	**4**	4
Other regions	**858**	945	**7**	14
	22,769	15,329	**1,754**	1,667

Note: Non-current assets excluded interests in jointly controlled entities, interest in an associate, other receivable, available-for-sale investments and deferred tax assets.

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9. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Other income comprises:						
Dividend income from available-for-sale investments	**8**	4	**–**	–	**8**	4
Government grants *(note 40)*	**64**	15	**–**	–	**64**	15
Interest income from bank deposits	**51**	57	**–**	–	**51**	57
Imputed interest income from						
– trade receivables	**19**	8	**–**	–	**19**	8
– other receivable	**6**	4	**–**	–	**6**	4
Refund of value added tax	**97**	47	**–**	–	**97**	47
Others *(Note)*	**157**	101	**–**	9	**157**	110
	402	236	**–**	9	**402**	245

Note: During the year, the Group has received compensation on certain civil claims in which the Group is the plaintiff amounting to HK$79 million (2009: nil) upon obtaining the final judgement from the relevant court on the claims.

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10. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Other gains and losses comprises:						
Cumulative gain reclassifed from equity on disposal of investments classified as available-for-sale	**2**	–	**–**	–	**2**	–
Exchange gains	**29**	79	**–**	–	**29**	79
Gain (loss) on disposal of property, plant and equipment	**4**	(2)	**–**	–	**4**	(2)
Impairment loss recognised in respect of available-for-sale investments	**–**	(2)	**–**	–	**–**	(2)
Loss from change in fair value of financial assets classified as held for trading	**(1)**	–	**–**	–	**(1)**	–
(Loss) gain from change in fair value of derivative financial instruments *(note 36)*	**(1)**	29	**–**	–	**(1)**	29
Reversal of provision on onerous contracts	**–**	–	**–**	8	**–**	8
	33	104	**–**	8	**33**	112

Notes to the Consolidated Financial Statements

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11. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Interest on bank borrowings wholly repayable within five years	**106**	109	**–**	–	**106**	109
Imputed interest expenses on obligation arising from put options written to non-controlling interests	**16**	16	**–**	–	**16**	16
	122	125	**–**	–	**122**	125

12. INCOME TAXES

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
The income taxes charge comprises:						
Hong Kong Profits Tax						
Underprovision in prior years	**3**	–	**–**	–	**3**	–
PRC income tax						
Current year	**196**	125	**–**	–	**196**	125
Underprovision in prior years	**–**	7	**–**	–	**–**	7
	196	132	**–**	–	**196**	132
	199	132	**–**	–	**199**	132
Deferred taxation *(note 26)*						
Current year	**27**	(7)	**–**	–	**27**	(7)
Attributable to a change in tax rate	**–**	(1)	**–**	–	**–**	(1)
	27	(8)	**–**	–	**27**	(8)
	226	124	**–**	–	**226**	124

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For the year ended 31 March 2010

12. INCOME TAXES *(continued)*

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% of the estimated assessable profit for both years.

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 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries which were enjoying preferential tax rate of 15%, the tax rate is increased from 15% over 5 years to 25% based on the relevant 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, such as "2+3 tax holiday" (two years' exemption followed by three years of half deduction) granted to them under the tax law and implementation rules.

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 Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK$25 million (2009: HK$22 million) in respect of the liability on the undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the year.

Details of deferred taxation are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

12. INCOME TAXES *(continued)*

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

	2010 HK$ million	2009 HK$ million
Profit before taxation		
Continuing operations	**1,552**	584
Discontinued operation	**–**	43
	1,552	627
Tax at applicable tax rate at 15% *(Note)* (2009: 15%)	**233**	94
Tax effect of expenses not deductible for tax purpose	**22**	25
Tax effect of income not taxable for tax purpose	**(17)**	(10)
Underprovision in prior years	**3**	7
Tax effect of tax losses not recognised	**4**	34
Utilisation of tax losses previously not recognised	**(15)**	(8)
Deductible temporary difference not recognised	**–**	3
Tax effect of share of results of jointly controlled entities	**(2)**	(1)
Effect of tax exemptions granted by the PRC tax authorities	**(53)**	(57)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in PRC other than Hong Kong	**26**	2
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	**25**	22
Tax effect of changes in tax rate	**–**	(1)
Others	**–**	14
Income taxes for the year	**226**	124

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%.

Notes to the Consolidated Financial Statements

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13. DISCONTINUED OPERATION

In prior year, the Group discontinued the business in the design, manufacture and sales 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 ("Mobile (SZ)") (see note 44). Accordingly, the segment of the design, manufacture and sales of mobile phones was classified as discontinued operation during the year ended 31 March 2009.

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

	2010 HK$ million	2009 HK$ million
Profit from discontinued operation for the year	**–**	–
Gain on disposal of discontinued operation	**–**	43
	–	43

The results of the discontinued operation for the period from 1 April 2008 to the effective date of disposal, i.e. 13 January 2009, which had been included in the consolidated statement of comprehensive income for the year ended 31 March 2009, are as follows:

	2010 HK$ million	2009 HK$ million
Turnover	**–**	58
Cost of sales	**–**	(46)
Gross profit	**–**	12
Other income	**–**	9
Other gains and losses	**–**	8
Selling and distribution expenses	**–**	(14)
General and administrative expenses	**–**	(15)
Profit before taxation	**–**	–
Income taxes	**–**	–
Profit for the year	**–**	–

The discontinued operation did not contribute significant cash flows to the Group for both years.

The carrying amounts of the assets and liabilities of the companies comprising the discontinued operation at the date of disposal are disclosed in note 44.

Notes to the Consolidated Financial Statements

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14. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Profit for the year has been arrived at after charging (crediting):						
Auditors' remunerations	**7**	8	**–**	–	**7**	8
Cost of inventories recognised as an expense	**17,846**	12,167	**–**	60	**17,846**	12,227
Depreciation of						
– property, plant and equipment	**218**	181	**–**	–	**218**	181
– investment properties	**2**	–	**–**	–	**2**	–
Exchange losses	**12**	16	**–**	–	**12**	16
Fair value adjustment upon initial recognition of trade receivables from sales on instalment basis	**2**	28	**–**	–	**2**	28
Fair value adjustment upon initial recognition of other receivable included in general and administrative expenses	**–**	29	**–**	–	**–**	29
(Gain) loss on disposal of property, plant and equipment	**(4)**	2	**–**	–	**(4)**	2
Impairment losses on						
– trade receivables	**47**	11	**–**	–	**47**	11
– bills receivable	**15**	–	**–**	–	**15**	–
Operating lease rentals in respect of land and buildings	**41**	46	**–**	–	**41**	46
Release of prepaid lease payments on land use rights	**6**	5	**–**	–	**6**	5
Rental income from leasing of properties less related outgoings of HK$54 million (2009: HK$55 million)	**(13)**	(11)	**–**	–	**(13)**	(11)
Reversal of provision for onerous contracts *(Note)*	**–**	–	**–**	(8)	**–**	(8)
Share of income taxes of jointly controlled entities	**2**	2	**–**	–	**2**	2
Staff costs:						
– Directors' emoluments *(note 15)*	**53**	27	**–**	–	**53**	27
– Research and development related staff costs	**71**	70	**–**	5	**71**	75
– Salaries, bonus, retirement benefits and others	**1,547**	1,045	**–**	8	**1,547**	1,053
	1,671	1,142	**–**	13	**1,671**	1,155
(Write-back) write-down of inventories *(Note)*	**(4)**	14	**–**	(14)	**(4)**	–

Note: During the year ended 31 March 2009, the management reviewed the net realisable value of the existing inventories and estimated selling prices of respective models of its mobile phones operation, and reassessed the provision for onerous contracts previously made; provision for inventories of HK$14 million and provision for onerous contracts of HK$8 million had been reversed in profit or loss during the year ended 31 March 2009.

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15. DIRECTORS' EMOLUMENTS

	2010 HK$ million	2009 HK$ million
Directors' fees	1.3	1.2
Other emoluments		
Basic salaries and allowances	7.1	7.3
Retirement benefits scheme contributions	–	–
Performance related incentive payments *(Note)*	42.2	14.5
Share-based payments	2.1	3.9
	52.7	26.9

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 2010 and 31 March 2009.

The emoluments paid or payable to each of the directors of the Company are set out below:

	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Total HK$'000
2010						
Executive directors:						
Zhang Xuebin	–	2,276	–	26,457	575	29,308
Ding Kai	–	618	–	–	350	968
Leung Chi Ching, Frederick	–	1,600	12	5,637	350	7,599
Lin Wei Ping	–	840	36	–	152	1,028
Yang Dongwen	–	1,745	21	10,169	603	12,538
	–	7,079	69	42,263	2,030	51,441
Independent non-executive directors:						
So Hon Cheung, Stephen	480	–	–	–	17	497
Li Weibin	480	–	–	–	17	497
Xie Zhengcai	153	–	–	–	–	153
Tsui Tsin Tong	185	–	–	–	–	185
	1,298	–	–	–	34	1,332
Total directors' emoluments	1,298	7,079	69	42,263	2,064	52,773

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15. DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Total HK$'000
2009						
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 (2009: 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 2010 were as follows:

	2010 HK$ million	2009 HK$ million
Basic salaries, allowances and benefits in kind	**8**	8
Retirement benefit scheme contributions	**1**	1
Performance related incentive payments *(Note)*	**48**	17
Share-based payments	**2**	4
	59	30

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

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16. EMPLOYEES' EMOLUMENTS *(continued)*

The above employees' emoluments were within the following bands:

	Number of individuals 2010	2009
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
HK$12,500,001 to HK$13,000,000	**1**	–
HK$29,000,001 to HK$29,500,000	**1**	–

Save as disclosed in notes 15 and 16 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 2010.

17. DIVIDENDS

		2010 HK$ million	2009 HK$ million
(a)	Dividends recognised as distribution during the year:		
	Final dividend paid for the year ended 31 March 2009: HK7.0 cents (2009: HK4.5 cents for 2008) per share (Note)	**165**	103
	Interim dividend paid for the year ended 31 March 2010: HK8.0 cents (2009: HK1.0 cent) per share	**200**	23
		365	126
(b)	Dividends attributable to the year:		
	Interim dividend declared and paid of HK8.0 cents (2009: HK1.0 cent) per share	**200**	23
	Final dividend proposed after the end of the reporting period of HK8.0 cents (2009: HK7.0 cents) per share	**202**	160
		402	183

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17. DIVIDENDS *(continued)*

The proposed final dividend of HK8.0 cents per share is declared on 30 June 2010. Such final dividend is satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2010.

During the year, share dividends alternatives were offered as follows:

	2010 **HK$ million**	2009 HK$ million
2009 Final dividends (2009: 2008 Final dividends):		
Cash	**40**	102
Scrip dividends	**125**	1
	165	103
2010 Interim dividends (2009: 2009 Interim dividends):		
Cash	**77**	23
Scrip dividends	**123**	–
	200	23

18. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2010 **HK$ million**	2009 HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**1,251**	460
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,390,899,032**	2,283,395,524
Effect of dilutive potential ordinary shares in respect of – Share options outstanding	**138,496,099**	5,498,066
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,529,395,131**	2,288,893,590

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.

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18. EARNINGS PER SHARE *(continued)*

For continuing operations

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

	2010	2009
	HK$ million	HK$ million
Earnings:		
Profit for the year attributable to owners of the Company	**1,251**	460
Adjusted for:		
Gain for the year from discontinued operation	**–**	(43)
	1,251	417

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 nil per share (2009: HK1.89 cents per share) and diluted earnings per share for the discontinued operation is nil per share (2009: HK1.88 cents per share), based on the profit for the year from the discontinued operation of nil (2009: HK$43 million) and the denominators detailed above for both basic and diluted earnings per share.

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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 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
Exchange realignment	8	–	6	3	17
Additions	2	97	137	103	339
Reclassification	43	(47)	4	–	–
Transferred to investment properties	(13)	(116)	–	–	(129)
Disposals	(32)	–	(45)	(66)	(143)
At 31 March 2010	1,224	28	1,013	303	2,568
DEPRECIATION					
At 1 April 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
Exchange realignment	1	–	4	1	6
Provided for the year	63	–	63	92	218
Transferred to investment properties	(2)	–	–	–	(2)
Eliminated on disposals	(1)	–	(44)	(59)	(104)
At 31 March 2010	278	–	712	179	1,169
CARRYING VALUES					
At 31 March 2010	946	28	301	124	1,399
At 31 March 2009	999	94	222	118	1,433

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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$102 million (2009: HK$106 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:

	2010 **HK$ million**	2009 HK$ million
Leasehold land and buildings:		
In the PRC held under		
– long term leases	**32**	34
– medium-term leases	**143**	157
	175	191
In Hong Kong held under long term leases	**17**	29
	192	220
Buildings:		
In the PRC held under medium-term leases	**754**	779
	946	999
Construction in progress:		
In the PRC held under medium-term leases	**28**	94
	974	1,093

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20. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2008 and 31 March 2009	–
Transferred from property, plant and equipment *(Note (1))*	129
At 31 March 2010	129
DEPRECIATION	
At 1 April 2008 and 31 March 2009	–
Transferred from property, plant and equipment *(Note (1))*	2
Provided for the year	2
At 31 March 2010	4
CARRYING VALUES	
At 31 March 2010	125
At 31 March 2009	–

Notes:

(1) During the year, certain properties with an aggregate carrying amount of approximately HK$127 million were transferred from property, plant and equipment upon commencement of operating leases to outsiders after the end of owner-occupation by the Group.

(2) For those investment properties located in the PRC, as the lease payments between the leasehold land and buildings components can be made reliably, and the Group chooses to use the cost model to account for its investment properties, the leasehold land element with carrying amount of HK$17 million (2009: nil) at the end of the reporting period continues to be classified as prepaid lease payments on land use rights and carried at cost and amortised over the lease term on a straight-line basis.

The fair value of the Group's investment properties at 31 March 2010 was approximately HK$149 million (2009: nil). The fair value has been arrived at based on a valuation carried out by Greater China Appraisal Limited, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment properties are depreciated on a straight-line basis over the shorter of the term of the lease or 50 years.

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20. INVESTMENT PROPERTIES *(continued)*

The carrying value of investment properties shown above comprises:

	2010 **HK$ million**	2009 HK$ million
Buildings on leasehold land in the PRC held under medium-term leases	**114**	–
Leasehold land and buildings in Hong Kong held under long term leases	**11**	–
	125	–

21. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2010 **HK$ million**	2009 HK$ million
Carrying amount at beginning of the year	**239**	232
Additions	**–**	7
Released during the year	**(6)**	(5)
Exchange realignment	**2**	5
Carrying amount at end of the year	**235**	239
Analysed for reporting purposes as:		
Non-current assets	**230**	234
Current assets	**5**	5
	235	239

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

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22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 HK$ million	2009 HK$ million
Cost of unlisted investments	157	118
Share of post-acquisition profits, losses and exchange reserve, net of dividends received	(1)	(5)
	156	113

The following sets out the jointly controlled entity of the Group as at 31 March 2010 and 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 2010	Effective interest held by the Group 2009	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%	50%	Manufacture and sales of monitor systems

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.

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

Share of assets and liabilities attributable to the Group

	2010 HK$ million	2009 HK$ million
Non-current assets	75	59
Current assets	167	118
Current liabilities	(85)	(64)
Non-current liabilities	(1)	–
	156	113

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

Share of results attributable to the Group

	2010 HK$ million	2009 HK$ million
Total revenue	142	136
Total expenses	(128)	(127)
	14	9

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:

	2010 HK$ million	2009 HK$ million
Unrecognised share of losses of jointly controlled entites for the year	–	4
Accumulated unrecognised share of losses of jointly controlled entities	38	38

23. INTEREST IN AN ASSOCIATE

	2010 HK$ million	2009 HK$ million
Cost of unlisted investments	–	6
Share of post-acquisition losses and exchange reserve	–	(6)
	–	–

In 2009, the Group had disposed of 80% equity interest in Mobile (SZ) (see note 44) and the cost of investments and the share of post-acquisition losses and exchange reserve for the remaining 20% equity interest were transferred to interest in an associate.

The Group had written off the interest in the associate in current year.

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23. INTEREST IN AN ASSOCIATE *(continued)*

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 2010	2009	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%**	20%	Trading of mobile communication related products and research and product development

24. OTHER RECEIVABLE

On 17 January 2008, the Group entered into a contract to invest RMB97 million (approximately HK$109 million) for non-controlling equity interest in an unlisted PRC company (the "unlisted equity securities"), which operates a LCD module factory in the PRC.

On 6 June 2008, the Group had 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 end of the reporting period, 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 had been recorded at initial recognition at its present value of HK$80 million with a corresponding charge of HK$29 million recognised in profit or loss for the year ended 31 March 2009 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.

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25. AVAILABLE-FOR-SALE INVESTMENTS

	2010 HK$ million	2009 HK$ million
Unlisted equity securities, at cost		
– in the PRC	**32**	31
– in overseas	**23**	16
Less: Impairment loss recognised	**(17)**	(22)
	38	25
Listed equity securities		
– in Hong Kong, at fair values	**5**	4
	43	29

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 recoverable amounts of the Group's available-for-sale investments during the year and determined that no impairment is required to be made in current year. In prior year, an impairment loss of HK$2 million had been recognised in profit or loss in respect of these investments during the year ended 31 March 2009.

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26. 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 (Note 1)	Provision HK$ million	Undistributed earnings of PRC subsidiaries and jointly controlled entities HK$ million (Note 2)	Others HK$ million (Note 3)	Total HK$ million
At 1 April 2008	4	(1)	(1)	–	34	36
Charge (credit) to profit or loss	1	(19)	–	22	(11)	(7)
Charge to other comprehensive income	–	–	–	–	7	7
Effect of changes in tax rate						
– Credit to profit or loss	(1)	–	–	–	–	(1)
– Credit to other comprehensive income	–	–	–	–	(1)	(1)
At 31 March 2009	4	(20)	(1)	22	29	34
Charge (credit) to profit or loss	1	19	(6)	25	(12)	27
Charge to other comprehensive income	–	–	–	–	2	2
At 31 March 2010	5	(1)	(7)	47	19	63

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

	2010 HK$ million	2009 HK$ million
Deferred tax assets	**(35)**	(31)
Deferred tax liabilities	**98**	65
	63	34

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26. DEFERRED TAXATION *(continued)*

Notes:

(1) At the end of the reporting period, the Group has unutilised tax losses of HK$797 million (2009: HK$1,000 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$5 million (2009: HK$129 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$792 million (2009: HK$871 million) due to the unpredictability of future profit streams.

Unutilised tax losses will expire as follows:

	2010 **HK$ million**	2009 HK$ million
2009	**–**	17
2010	**100**	116
2011	**139**	145
2012	**109**	117
2013	**47**	200
2014	**23**	–
Carried forward indefinitely	**379**	405
	797	1,000

(2) Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,177 million (2009: HK$523 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

27. INVENTORIES

	2010 **HK$ million**	2009 HK$ million
Raw materials	**1,276**	362
Work in progress	**217**	110
Finished goods	**1,805**	795
	3,298	1,267

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28. 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 retailers 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, presented based on the invoice date at the end of the reporting period:

	2010 HK$ million	2009 HK$ million
Within 30 days	662	571
31 to 60 days	262	170
61 to 90 days	132	112
91 to 365 days	427	446
Over 365 days	101	104
Trade receivables	1,584	1,403
Purchase deposits paid	104	113
Value-added-tax ("VAT") receivables	294	61
Other deposits paid, prepayments and other receivables	294	182
	2,276	1,759

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$762 million (2009: HK$468 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and state-owned television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Of the trade receivables, an amount of HK$51 million (2009: HK$89 million) is due beyond twelve months. The receivables with principal amount of HK$26 million (2009: HK$109 million) have been recorded at initial recognition at its present value of HK$24 million (2009: HK$81 million) with a corresponding debit of HK$2 million (2009: 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 5.985% (2009: 6.57%) per annum.

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28. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2010 HK$ million	2009 HK$ million
Overdue:		
Within 30 days	**325**	184
31 to 60 days	**107**	52
61 to 90 days	**67**	55
91 days or over	**263**	177
	762	468

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 evidence of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flows 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:

	2010 HK$ million	2009 HK$ million
Balance at beginning of the year	**107**	105
Impairment loss recognised on trade receivables	**47**	11
Amounts uncollectible written off	**(10)**	(11)
Exchange realignment	**1**	2
Balance at end of the year	**145**	107

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$145 million (2009: HK$107 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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29. BILLS RECEIVABLE

The maturity dates of bills receivable at the end of the reporting period are analysed as follows:

	2010 HK$ million	2009 HK$ million
Within 30 days	360	285
31 to 60 days	421	296
61 to 90 days	629	556
91 days or over	1,394	1,252
Bills endorsed to suppliers with recourse	706	993
Bills discounted with recourse	3,428	1,157
	6,938	4,539

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 end of the reporting period. Accordingly, the liabilities associated with such bills, mainly borrowings and payables as disclosed in notes 39 and 33 respectively, 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 end of the reporting period.

All bills receivable at the end of the reporting period are not yet due.

Movement in the allowance for doubtful debts is as follows:

	2010 HK$ million	2009 HK$ million
Balance at beginning of the year	–	–
Impairment loss recognised on bills receivables	15	–
Balance at end of the year	15	–

30. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES/ JOINTLY CONTROLLED ENTITIES

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

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31. HELD FOR TRADING INVESTMENTS

	2010 HK$ million	2009 HK$ million
Listed securities:		
– Equity securities listed in Hong Kong	13	–

32. PLEDGED BANK DEPOSITS/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 3.00% (2009: 0.01% to 3.15%).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 1.98% to 2.25% (2009: 2.25% to 5.77%).

33. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting:

	2010 HK$ million	2009 HK$ million
Within 30 days	963	1,016
31 to 60 days	456	423
61 to 90 days	719	265
91 days or over	202	168
Trade payables under endorsed bills	706	991
Trade payables	3,046	2,863
Accrued selling and distribution expenses	407	343
Accrued staff costs	573	246
Sales deposits received	499	269
VAT payable	32	41
Other deposits in advance, accruals and other payables	632	560
	5,189	4,322

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34. BILLS PAYABLE

The maturity dates of bills payable at the end of the reporting period are analysed as follows:

	2010 HK$ million	2009 HK$ million
Within 30 days	169	64
31 to 60 days	126	18
61 to 90 days	123	45
91 days or over	168	64
	586	191

All bills payable at the end of the reporting period are not yet due.

35. OBLIGATION ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING INTERESTS

(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 to 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, the Employees have an option to sell the shares to RGB at net asset value of the latest audited financial statements of SDT and RGB is obliged to buy 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 the cash consideration below the fair value of 12% SDT shares of HK$39 million represented the fair value of future services to be rendered by the Employees and was charged to profit or loss on a straight-line basis over the vesting period, i.e. the contractual service period, of five years.

As at 31 March 2010, a liability of HK$84 million has been recognised in the consolidated statement of financial position in relation to the put options written to the Employees and presented as a current liability (2009: HK$24 million).

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35. OBLIGATION ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING INTERESTS *(continued)*

(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 wrote 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 "Vesting Period"), the Purchaser can require RGB to buy back their shares at the original consideration paid plus 10% guaranteed dividends per annum.

During the year, RGB has reached an agreement with the Purchasers to extend the Vesting Period to 31 December 2013. Accordingly, the obligation arising from put options written to the Purchasers as at 31 March 2010 was classified as a non-current liability.

As at 31 March 2010, a liability determined based on the present value of the obligation to deliver the share redemption amount at discount rate of 10% of HK$159 million has been recognised and presented as a non-current liability in the consolidated statement of financial position (2009: HK$154 million using a discount rate of 10% and presented as a current liability).

Movement in the obligation arising from put options written to non-controlling interests is as follows:

	2010 **HK$ million**	2009 HK$ million
At the beginning of the year	**178**	158
Imputed interest expenses for the year	**16**	16
Changes in estimated redemption price regarding put options to the Employees	**60**	–
Dividends paid for the year	**(12)**	–
Exchange realignment	**1**	4
At the end of the year	**243**	178
Analysis as:		
Current liabilities	**84**	178
Non-current liabilities	**159**	–
	243	178

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For the year ended 31 March 2010

36. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 HK$ million	2009 HK$ million
Derivative financial instruments is analysed as:		
Foreign currency forward contracts *(Note 1)*	(6)	(1)
Target redemption forward contract *(Note 2)*	(1)	–
	(7)	(1)
(Gain) loss from change in fair value of derivative financial instruments comprise:		
Foreign currency forward contracts *(Note 1)*	(5)	29
Target redemption forward contract *(Note 2)*	4	–
	(1)	29

The following is the analysis of the derivative financial instruments for financial reporting purposes:

	2010 HK$ million	2009 HK$ million
Assets		
Foreign currency forward contracts	4	–
Liabilities		
Foreign currency forward contracts	(10)	(1)
Target redemption forward contract	(1)	–
	(11)	(1)
	(7)	(1)

Note 1: Foreign currency forward contracts

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

36. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Note 1: Foreign currency forward contracts *(continued)*

As at 31 March 2010, United States Dollars loans of HK$2,325 million (2009: HK$125 million) and fixed deposits denominated in Renminbi of HK$2,331 million (2009: HK$125 million) are included in other bank loans and pledged bank deposits as disclosed in notes 39 and 45 respectively.

The related interest income on the fixed deposits of HK$37 million (2009: HK$33 million) and exchange gain on United States Dollars loans of HK$12 million (2009: HK$37 million) are included in profit or loss, while the interest expenses on United States Dollars loans of HK$30 million (2009: HK$56 million) are included in finance cost as disclosed in note 11.

Major terms of foreign currency forward contracts, each with single maturity date, are as follows:

Aggregate Principal amount	**Maturity**	**Forward exchange rate (net settlement)**
As at 31 March 2010		
US$121,872,085	From April 2010 to June 2010	Buy US$/ sell RMB at 6.7120 to 6.8802
US$102,429,699	From July 2010 to September 2010	Buy US$/ sell RMB at 6.7630 to 6.8900
US$75,113,883	From October 2010 to December 2010	Buy US$/ sell RMB at 6.6490 to 6.8647
As at 31 March 2009		
US$16,092,505	From January 2010 to March 2010	Buy US$/ sell RMB at 6.8745 to 6.8856

At 31 March 2010, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of HK$6 million (2009: HK$1 million). These amounts are based on market prices quoted by the counterparty financial institutions at the end of the reporting period. During the year, the loss on change in fair value of the foreign currency forward contracts amounting to HK$5 million (2009: gain of HK$29 million) has been recognised in profit or loss.

Note 2: Target redemption forward contract

During the year, the Group entered into a two-year target redemption forward contract with a bank of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated in United States Dollars. The target redemption forward contract comprises non-deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates (the "Expiry Date"), save for the event leading to the knockout and termination of the contract as discussed below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

36. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Note 2: Target redemption forward contract *(continued)*

At each expiry date:

(i) if the US$ to RMB spot exchange rate (the "Spot Rate") is greater than or equal to the lower barrier rate (buy US$/sell RMB at 6.63, the "Lower Barrier Rate") and less than or equal to the upper barrier rate (buy US$/sell RMB at 6.90, the "Upper Barrier Rate") as specified in the contract, the Group would receive a predetermined fixed amount of RMB600,000 which would be settled in US$ equivalent.

The contract would be knocked-out and terminated when the cumulative net settlements received by the Group reach RMB7,200,000 as stipulated in the contract;

(ii) if the Spot Rate is either greater than the Upper Barrier Rate; or fall between the Lower Barrier Rate and the rate specified in the contract (buy US$/sell RMB at 6.50, the "Contract Rate"), there would have no settlement;

(iii) if the Spot Rate is less than the Contract Rate, the Group would pay to the bank a net settlement calculated based on the difference between the Spot Rate and the Contract Rate times a notional amount of US$20 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

Gain in changes in fair value of HK$4 million has been recognised in profit or loss for the year.

37. PROVISION FOR WARRANTY

	2010 **HK$ million**	2009 HK$ million
Balance at 1 April	**67**	83
Adjustment arising from use of revised defective rates	**(17)**	(12)
Additional provision in respect of current year's sales	**89**	52
Unused amounts reversed	**–**	(2)
Utilised	**(67)**	(54)
Amount written off on disposal of subsidiary	**–**	(3)
Exchange realignments	**–**	3
Balance at 31 March	**72**	67
Analysed for reporting purposes as:		
Current liabilities	**40**	36
Non-current liabilities	**32**	31
	72	67

The Group provides one to 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.

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For the year ended 31 March 2010

38. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/MINORITY SHAREHOLDERS OF SUBSIDIARIES

Included in amounts due to jointly controlled entities are amounts of HK$1 million (2009: HK$9 million) which are unsecured, interest free and with credit terms of 30 days. All other amounts due are unsecured, interest free and repayable on demand.

Amounts due to minority shareholders of subsidiaries are unsecured, interest free and repayable on demand. Included in amounts due to minority shareholders of subsidiaries are dividend payable amounting to HK$13 million (2009: nil).

39. SECURED BANK BORROWINGS

	2010 **HK$ million**	2009 HK$ million
Secured bank borrowings comprise the following:		
Construction loan	**–**	85
Financial liabilities on bills discounted with recourse	**3,428**	1,157
Invoice financing loans	**11**	–
United States Dollars loans associated with foreign currency forward contracts *(note 36)*	**2,325**	125
Other bank loans	**957**	62
	6,721	1,429

All bank borrowings are repayable within one year.

Included in the balance as at 31 March 2010 are fixed-rate bank borrowings of HK$5,718 million (2009: HK$1,282 million) and carry interest rates ranging from 0.5% to 5.7% (2009: from 1.5% to 1.6%).

All other bank borrowings are carried at variable market interest rates, which are based on HIBOR or PBOC lending rate plus a specific margin, ranging from 1.73% to 2.0% (2009: from 1.5% to 6.3%) per annum.

As at the end of the reporting period, the Group had US$ denominated bank borrowings of HK$3,281 million (2009: HK$142 million). All other bank borrowings are denominated in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

40. DEFERRED INCOME

	2010 HK$ million	2009 HK$ million
Deferred income	255	269
Less: Amount to be recognised as income within one year included in current liabilities	(40)	(68)
Amount to be recognised as income after one year	215	201

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 profit or loss in the current year of HK$64 million (2009: HK$15 million).

41. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each:		
Authorised		
At 1 April 2008, 31 March 2009 and 31 March 2010	10,000,000,000	1,000
Issued and fully paid		
At 1 April 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
Issue of shares under share option schemes	184,466,500	19
Issue of shares under scrip dividend scheme	60,375,178	6
At 31 March 2010	2,527,338,923	253

Details of the exercise of share options during the two years ended 31 March 2010 are set out in note 42.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. 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.

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.

The number of shares lapsed on 27 March 2010 was 911,000 shares.

(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") at 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

(ii) *(continued)*

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 on 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 scheme 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 exceeds 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 scheme of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of shares available for grant under the share option schemes of the Company is approximately 138,454,500 (2009: 323,832,000) representing approximately 5.48% (2009: 14.19%) of the issued share capital of the Company as at the date of this report.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2010

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 2010:

Under 2000 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note a)	Exercised during the year (Note b)	Cancelled during the year	Outstanding at 31 March 2010
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	254,000	–	(137,000)	(117,000)	–
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	346,000	–	(152,000)	(194,000)	–
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	3,960,000	–	(3,360,000)	(600,000)	–
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)	–	–
				6,060,000	–	(5,149,000)	(911,000)	–

Notes:

(a) No share option was granted under 2000 Share Option Scheme during the year ended 31 March 2010.

(b) The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2010 was HK$2.98.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note c)	Exercised during the year (Note d)	Cancelled during the year	Outstanding at 31 March 2010
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	6,000,000	–	(6,000,000)	–	–
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	6,000,000	–	(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)	–	–
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	24,729,000	–	(12,896,500)	–	11,832,500
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	25,865,000	–	(13,442,500)	–	12,422,500
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	26,965,000	–	(14,292,500)	–	12,672,500
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	33,565,000	–	(20,291,000)	–	13,274,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	11,000,000	–	(10,000,000)	–	1,000,000

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For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2002 Share Option Scheme (continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note c)	Exercised during the year (Note d)	Cancelled during the year	Outstanding at 31 March 2010
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
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)	–	–

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42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2002 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note c)	Exercised during the year (Note d)	Cancelled during the year	Outstanding at 31 March 2010
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)	–	–
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)	–	–

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For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2002 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note c)	Exercised during the year (Note d)	Cancelled during the year	Outstanding at 31 March 2010
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	3,875,000	–	(3,750,000)	–	125,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	3,875,000	–	(3,750,000)	–	125,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	3,875,000	–	(3,750,000)	–	125,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,875,000	–	(3,750,000)	–	125,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	12,375,000	–	(12,250,000)	–	125,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	12,375,000	–	(12,150,000)	–	225,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	12,375,000	–	–	–	12,375,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	12,375,000	–	–	–	12,375,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	8,337,500	–	(7,304,000)	–	1,033,500
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	8,337,500	–	(6,135,500)	–	2,202,000
		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

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42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2002 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009	Granted during the year (Note c)	Exercised during the year (Note d)	Cancelled during the year	Outstanding at 31 March 2010
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	–	(1,534,000)	–	691,000
		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
				276,822,000	–	(169,964,000)	–	106,858,000

Notes:

(c) No share option was granted under 2002 Share Option Scheme during the year ended 31 March 2010.

(d) The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2010 was HK$4.46.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2010 *(continued)*

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2009 (Note e)	Granted during the year (Note f)	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2010
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	10,137,500	–	(9,254,500)	–	883,000
		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	–	(99,000)	–	1,000
		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	–	(9,353,500)	–	31,596,500

Notes:

(e) No share option was granted under 2008 Share Option Scheme during the year ended 31 March 2010.

(f) The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2010 was HK$6.77.

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42. SHARE OPTIONS *(continued)*

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 on which the share options were exercised during the year ended 31 March 2009 was HK$0.88.

Notes to the Consolidated Financial Statements

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42. SHARE OPTIONS *(continued)*

2009 *(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

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For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2009 *(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
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

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For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2009 *(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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2009 *(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
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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2009 *(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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. SHARE OPTIONS *(continued)*

2009 *(continued)*

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

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.

At the end of the reporting period, outstanding share options of 24,000,000 (2009: 84,000,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

43. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 "Share-based Payment" to account for its share options (Note (i)) and sale of shares of subsidiary to employees at consideration below fair value (Note (ii)). An amount of share-based payment expenses of HK$15 million (2009: HK$19 million) has been recognised in the current year.

Note (i) 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 31March 2010 are disclosed in note 42, a summary of which is presented below:

	2010		2009	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**323,832,000**	**1.242**	272,872,000	1.389
Granted during the year	**–**	**–**	52,850,000	0.470
Exercised during the year	**(184,466,500)**	**1.375**	(138,000)	0.336
Lapsed during the year	**(911,000)**	**0.336**	(1,752,000)	0.899
Outstanding at the end of the year	**138,454,500**	**1.070**	323,832,000	1.242
Exercisable at the end of the year	**58,303,000**	**–**	204,969,500	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.534 (2009: HK$0.88). The share options outstanding as at 31 March 2010 have a weighted average remaining contractual life of 3.8 years (2009: 4.8 years) and the exercise prices of which range from HK$0.374 to HK$2.740 (2009: HK$0.336 to HK$2.740).

No share options are granted during the year ended 31 March 2010.

Note (ii) 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 35(a).

44. DISPOSAL OF A SUBSIDIARY

On 18 June 2008, the Company's two wholly-owned subsidiaries, Skyworth Mobile Communication Limited ("Mobile") and 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 Mobile (SZ), which was principally engaged in the business of design, manufacture and sale of mobile phone, at a nominal consideration of RMB1 (equivalent to approximately HK$1.13) and HK$1 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

44. DISPOSAL OF A SUBSIDIARY *(continued)*

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 profit or loss as part of the gain on disposal of subsidiary during the year ended 31 March 2009.

The transaction was completed on 13 January 2009 upon the issuance of the relevant approval documents by the PRC government authorities. The relevant gain on disposal amounting to HK$43 million had been recognised in profit or loss during the year ended 31 March 2009, which was 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 *(Note)*	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 was classified as an interest in an associate at the date of disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

45. PLEDGE OF ASSETS

At 31 March 2010, 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$103 million (2009: HK$61 million) and HK$115 million (2009: HK$22 million) respectively;

(b) trade receivables of HK$22 million (2009: nil); and

(c) bank deposits of HK$2,394 million (2009: HK$154 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$706 million (2009: HK$993 million) and HK$3,428 million (2009: HK$1,157 million) respectively as disclosed in note 29.

46. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, 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:

	2010 HK$ million	2009 HK$ million
Within one year	**22**	10
In the second to fifth year inclusive	**39**	17
Over five years	**4**	3
	65	30

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

The Group as lessor

During the year, the Group earned rental income of HK$67 million (2009: HK$66 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 end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 HK$ million	2009 HK$ million
Within one year	**40**	35
In the second to fifth year inclusive	**30**	24
	70	59

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

47. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2010 HK$ million	2009 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	78	20
Factory buildings and logistic centers under development	81	105
	159	125
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	7	25
Factory buildings and logistic centers under development	23	121
	30	146

Except as described above, on 19 March 2010, RGB entered into a joint venture agreement with two independent third parties, LG Display Co., Ltd ("LG") and Guangzhou-Kaide Technologies Development Co., Ltd. ("Kaide"), in relation to the formation of joint venture, LG Display (China) ("LGD"), in the PRC. The proposed principal business activities of LGD are the manufacturing and sales of TFT-LCD materials and other electronics components, importing of such products for domestic sales and exporting and the provision of after sales services. RGB, LG and Kaide agreed to invest US$133,400,000, US$933,800,000 and US$266,800,000 respectively to LGD, representing 10%, 70% and 20% of the registered capital of LG Display (China). The incorporation of LGD is subject to the approval by the relevant government authorities in the PRC and registration being made at the State Administration of Industry and Commerce of the PRC. The transaction has not yet been completed and the related capital injection has not been made by the Group as of the date of this report.

48. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

49. 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 profit or loss 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 profit or loss, are as follows:

	2010 **HK$ million**	2009 HK$ million
Retirement benefit scheme contributions in Hong Kong	**1**	–
Pension costs in the PRC	**66**	55
Total retirement benefit scheme contributions	**67**	55

At both 31 March 2010 and 31 March 2009, there were no forfeited contributions available to offset future employers' contributions to the schemes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

50. RELATED PARTY TRANSACTIONS

Trading transactions

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

	2010 HK$ million	2009 HK$ million
Sales of raw materials	9	3
Sales of finished goods	1	1
Purchase of raw materials	–	20
Purchase of finished goods	13	–
Advertising and promotional expenses paid	9	12

Compensation of key management personnel

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

	2010 HK$ million	2009 HK$ million
Short-term benefits	65	33
Post-employment benefits	1	1
Share-based payments	3	5
	69	39

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2010 and 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 2010 (Note a)	Effective interest held by the Company 2009	Principal activities
Skyworth Holdings Limited 創維控股有限公司	Samoa	Ordinary shares US$1	**100%**	100%	Investment holding
Skyworth Enterprises Limited 創維實業有限公司	Samoa	Ordinary shares US$1	**100%**	100%	Investment holding
Skyworth Digital Group Limited	The British Virgin Islands	Ordinary shares HK$893 Preference shares HK$990	**100%**	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%**	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%**	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%**	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%**	100%	Manufacture and sale of consumer electronic products

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For the year ended 31 March 2010

51. 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 2010 (Note a)	2009	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%**	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%**	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%**	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%**	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%**	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%**	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%**	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%**	100%	Trading of consumer electronic products
Skyworth Electronics Inc.	The United States of America	Common shares US$100,000	**100%**	100%	Trading of consumer electronic products

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51. 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 2010 (Note a)	2009	Principal activities
深圳創維數字技術股份有限公司	PRC (Note c)	Registered capital RMB120,000,000	**72%**	72%	Manufacture and sale of consumer electronic products and research and products development
創維應用電子(深圳)有限公司	PRC (Note c)	Registered capital US$1,200,000	**94%**	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%**	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%**	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%**	100%	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands	Ordinary shares US$10	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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.

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 2010.

None of the subsidiaries had any debt securities outstanding at 31 March 2010 or at any time during the year.

Summarised Statement of Financial Position of the Company

	2010 HK$ million	2009 HK$ million
Investments in subsidiaries	**1,326**	1,317
Amounts due from subsidiaries	**2,103**	2,093
Other current assets	**29**	1
Amounts due to subsidiaries	**(185)**	(308)
	3,273	3,103
Share capital	**253**	228
Share premium	**1,665**	1,188
Reserves	**1,355**	1,687
	3,273	3,103

Financial Summary

RESULTS

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	**22,769**	15,387	13,939	12,560	10,699
Cost of sales	**(17,896)**	(12,282)	(11,022)	(10,508)	(8,694)
Gross profit	**4,873**	3,105	2,917	2,052	2,005
Other income	**402**	245	189	97	100
Other gains and losses	**33**	112	23	38	16
Selling and distribution expenses	**(2,968)**	(2,192)	(1,969)	(1,610)	(1,598)
General and administrative expenses	**(680)**	(570)	(515)	(419)	(269)
Finance costs	**(122)**	(125)	(122)	(19)	(3)
Gain on disposal of subsidiaries	**–**	43	60	–	3
Share of results of jointly controlled entities	**14**	9	18	8	1
Profit before taxation	**1,552**	627	601	147	255
Income taxes	**(226)**	(124)	(121)	(19)	(39)
Profit for the year	**1,326**	503	480	128	216
Attributable to:					
Owners of the Company	**1,251**	460	457	128	216
Non-controlling interests	**75**	43	23	–	–
	1,326	503	480	128	216

ASSETS AND LIABILITIES

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	**19,222**	11,063	13,070	8,659	7,573
Total consolidated liabilities	**(13,368)**	(6,659)	(9,118)	(5,396)	(4,485)
Net assets	**5,854**	4,404	3,952	3,263	3,088
Attributable to:					
Owners of the Company	**5,773**	4,353	3,948	3,263	3,088
Non-controlling interests	**81**	51	4	-	-
	5,854	4,404	3,952	3,263	3,088

Financial Review

For the year ended 31 March

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

	2010	2009	2008	2007	2006
OPERATING RESULTS					
Turnover	**22,769**	15,329	13,939	12,560	10,699
Operating profit (EBIT)	**1,660**	700	703	158	257
Profit attributable to equity holders of the Company	**1,251**	460	457	128	216
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	**52.32**	20.15	19.95	5.59	9.53
Dividend per share	**16.0**	8.0	5.0	1.7	3.8
Dividend payout ratio – basic	**30.6%**	39.7%	25.1%	30.4%	39.9%
KEY STATISTICS					
Equity attributable to equity holders of the Company	**5,773**	4,353	3,952	3,263	3,088
Working capital	**4,268**	2,757	2,706	2,340	2,273
Cash position*	**4,585**	1,539	3,259	891	798
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**968**	147	610	324	166
Bills receivable	**6,938**	4,539	4,403	3,847	3,181
Trade receivables	**1,584**	1,403	1,276	649	517
Inventories	**3,298**	1,267	1,913	1,573	1,747
Capital expenditure**	**339**	322	340	351	444
Depreciation and amortisation	**226**	186	161	135	121
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**21.7**	10.6	11.6	3.9	7.0
Return on total assets (ROA) (%)	**6.9**	4.2	3.5	1.5	2.9
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**16.8**	3.4	15.3	9.9	5.4
Net debt to equity	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.3**	1.4	1.3	1.5	1.5
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	**78**	114	117	108	102
Inventories turnover period (days)***	**47**	48	60	58	72
Gross profit margin (%)	**21.4**	20.2	22.0	16.1	18.7
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**8.3**	5.8	7.2	2.3	3.5
Earnings before interest and taxation (EBIT) margin (%)	**7.3**	4.6	6.0	1.3	2.4
Profits margin (%)	**5.8**	3.0	3.4	1.0	2.0

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

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

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

Except for otherwise stated, all ratios calculated above were based on 'Continuing Operations' figures

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
Mr. Lu Rongchang (appointed on 21 June 2010)

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Mr. Xie Zhengcai (resigned on 28 December 2009)
Mr. Tsui Tsin Tong (appointed on 12 November 2009 and passed away on 2 April 2010)

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen *(Chairman)*
Mr. Li Weibin
Mr. Xie Zhengcai (resigned on 28 December 2009)
Mr. Tsui Tsin Tong (appointed on 12 November 2009 and passed away on 2 April 2010)

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 (resigned on 28 December 2009)
Mr. Tsui Tsin Tong (appointed on 12 November 2009 and passed away on 2 April 2010)

Nomination Committee

Mr. So Hon Cheung, Stephen *(Chairman)*
Mr. Leung Chi Ching, Frederick
Mr. Li Weibin
Mr. Xie Zhengcai (resigned on 28 December 2009)
Mr. Tsui Tsin Tong (appointed on 12 November 2009 and passed away on 2 April 2010)

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 Bank International
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 2010/2011

Results Announcement Date

Annual Results – 30 June 2010

Dividend Per Share

Final dividend – HK 8 cents

Dividend Payment Date

Final dividend – 28 September 2010

Closing Period of the Register of Members

Final – From 26 August 2010 to 1 September 2010 both dates inclusive

COMPANY WEBSITE

http://www.skyworth.com