Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 751

Annual Report 2011/12

CONTENTS

FINANCIAL HIGHLIGHTS

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

	2012	2011	Change
OPERATING RESULTS			
Turnover	**28,137**	24,339	+15.6%
Operating Profit (EBIT)	**1,732**	1,615	+7.2%
Net Profit for the year	**1,268**	1,281	−1.0%
Profit attributable to equity holders of the Company	**1,252**	1,174	+6.6%
FINANCIAL POSITION			
Net cash from operating activities	**1,199**	1,872	−36.0%
Cash position*	**3,018**	3,118	−3.2%
Bank borrowings	**4,283**	4,355	−1.7%
Bank borrowings excluding the financial liabilities on discounted bills with recourse and foreign loans associate with foreign currency forward contracts	**3,791**	3,612	+5.0%
Equity attributable to equity holders of the Company	**8,469**	7,074	+19.7%
Working capital	**6,819**	6,012	+13.4%
Bills receivable	**9,118**	7,251	+25.7%
Bills discounted with recourse	**369**	693	−46.8%
Trade receivables	**2,505**	2,051	+22.1%
Inventories	**3,151**	2,657	+18.6%
KEY RATIOS			
Gross profit margin (%)	**21.2%**	19.2%	+2.0pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**7.0%**	7.7%	−0.7pp
Profit margin (%)	**4.5%**	5.3%	−0.8pp
Return on equity holders of the Company (ROE) (%)	**14.8%**	16.6%	−1.8pp
Debt to equity (%)**	**50.6%**	61.6%	−11.0pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**44.8%**	51.1%	−6.3pp
Net debt to equity***	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.6**	1.6	0.0%
Trade receivable turnover period (days)****	**136**	134	+1.5%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days) ****	**129**	103	+25.2%
Inventories turnover period (days) ****	**48**	55	−12.7%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	**47.52**	45.90	+3.5%
Earnings per share – Diluted	**46.28**	44.18	+4.8%
Dividend per share	**15.50**	14.00	+10.7%
Dividend payout ratio – Basic	**32.6%**	30.5%	+2.1pp
Dividend payout ratio – Diluted	**33.5%**	31.7%	+1.8pp
Book value per share	**314.48**	272.70	+15.3%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,693**	2,594	+3.8%
Market capitalisation	**9,776**	11,440	−14.5%

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

** Bank borrowings/equity attributable to equity holders of the Company at year end

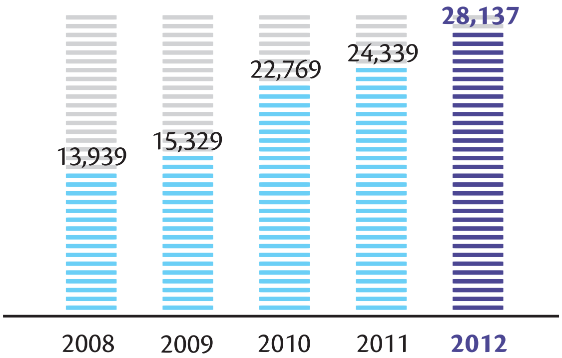
*** Calculation based on (cash position + bills on hand – bank loans)/equity attributable to equity holders of the Company at year end

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

FINANCIAL HIGHLIGHTS

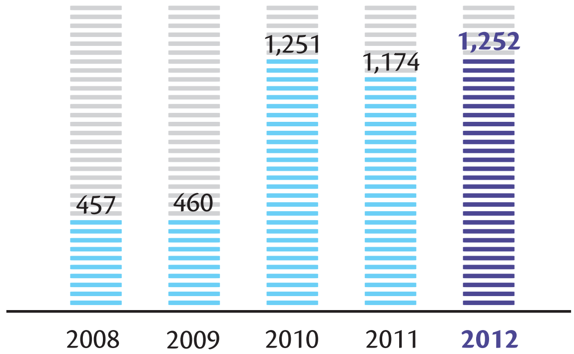
Turnover

(HK$ million)



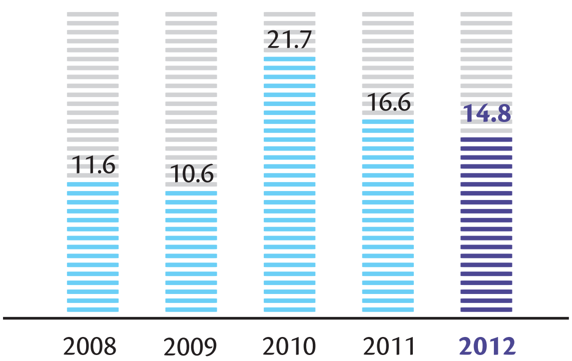
Profits Attributable to Equity Holders of the Company

(HK$ million)



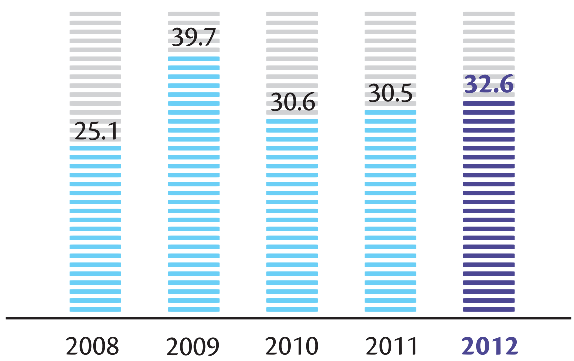
Return on Equity Holders of the Company (ROE)

(%)



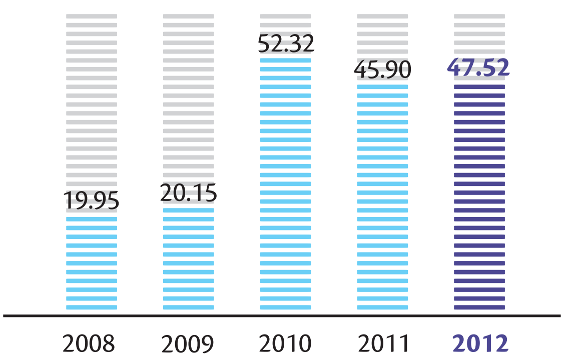
Payout Ratio

(%)



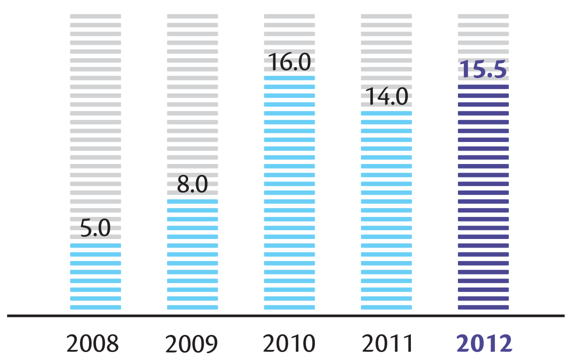
Earnings Per Share – Basic

(HK cents)



Dividend Per Share

(HK cents)



LETTER FROM EXECUTIVE CHAIRMAN

LETTER FROM EXECUTIVE CHAIRMAN

Zhang Xuebin
Executive Chairman

HIGHLIGHTS OF RESULTS

The Group recorded the following results during the year ended 31 March 2012:

- Turnover reached HK$28,137 million (88.1% from the mainland China market), an increase of 15.6% from that of the financial year ended 31 March 2011 (the "Previous Year").

- Sales of TV products and digital set-top boxes accounted for 84.1% and 12.0% of the Group's total turnover respectively.

- Gross profit achieved HK$5,956 million (HK$2,771 million in the first half year), increased by 27.7%; and gross profit margin was 21.2% (21.2% in the first half year), increased by 2.0 percentage points compared with that of Previous Year.

- Profit for the year was HK$1,268 million, slightly decreased by 1.0% from that of Previous Year.

- Profit for the year attributable to the owners of the Company increased by 6.6%, from HK$1,174 million of the Previous Year to HK$1,252 million.

- The Board has proposed a final dividend of HK10.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 32.6% for the whole year.

LETTER FROM EXECUTIVE CHAIRMAN

Dear shareholders, partners and other stakeholders:

SOLID PERFORMANCE OF OPERATING RESULTS

The financial year ended 31 March 2012 (the "Reporting Year") marked another year of solid performance for the Group. During the Reporting Year, the Group achieved a double digit growth of 15.6% year-on-year in turnover of approximately HK$28,137 million, up from approximately HK$24,339 million as compared to that of the financial year ended 31 March 2011 (the "Previous Year"), a remarkable 2 percentage points improvement of gross profit margin, from 19.2% in the Previous Year to 21.2% . Net profit slightly dropped by 1.0% to approximately HK$1,268 million which has accounted for an impairment loss on available-for-sale investments amounted to approximately HK$170 million.

The double-digit growth in turnover was mainly attributable to our core China TV business unit which recorded turnover of approximately HK$22,029 million, representing 15.3% growth for the Reporting Year. Whilst the Group have been enjoying steady growth, it is still in a healthy financial position. The net assets of the Group reached approximately HK$8,668 million representing an increase of 19.6% and the bank balances of the Group was HK$2,164 million at 31 March 2012.

Customer-orientation is our main focus. During the Reporting Year, new TV products, including "non-blink" 3D TV and "cloud" TV, were successfully launched in mainland China market. In mainland China, the sales revenue and volume of our TV products for the Reporting Year accounted for 78.3% of the Group's total revenue and 75.9% of the total volume of the TV business; the growth rate of 15.3% for sales revenue of our TV products was greater than that of 9.7% for sales volume of our TV products. This demonstrated the success of launching new products with higher average selling price and continued improvement of our sales product mix. Our achievements were resulting from successful implementing of our marketing strategy, technological advancement, logistic arrangement and financial resources management.

LETTER FROM EXECUTIVE CHAIRMAN

ENHANCEMENT OF CORPORATE GOVERNANCE

During my tenure of office as chief executive officer ("CEO") and executive chairman since 29 June 2005 and 1 April 2007, respectively, I have been glad to witness the Group's healthy growth in achieving outstanding annual results and continuous enhancement in corporate governance.

The board of directors of the Company (the "Board") decided to separate the role of chairman and CEO again with effective from 15 February 2012. I continue to act as the executive chairman of the Board, allowing me to allocate more time to focus on board matters, corporate governance and the overall strategies of the Group. Mr. Yang Dongwen, one of our executive directors since 8 February 2006, has been re-designated as CEO of the Group, focusing mainly on the business operations of the Group, and assisting the Board to formulate strategies for the Group.

During the Reporting Year, the Board of the Company appointed Mr. Shi Chi as an executive director. Mr. Shi joined the Group in 2000 and is currently the president of Shenzhen Skyworth Digital Technology Co. Ltd., the operating company of our set-top box business. Mr. Shi has been participating in numerous national and provincial projects on technological researches, in charge of designing several high-end digital television products and publishing over 20 articles in various professional and science journals. He is the Vice President of China Radio and TV Equipment Industry Association and has extensive experience in the electronics industry.

Our continuous efforts in improvement management, communication with stakeholders and corporate governance were also recognized by an award "Best Managed Medium Cap Company in China 2011" from Asia Money during the Reporting Year.

OUTLOOK

Doing business is full of challenges, risks and opportunities. The global economy is confronted with a number of uncertainties. The European debt crisis, instability in Middle East and price of commodities at high level are most likely to dampen growth. However, the Group is optimistic about its future. With the management team's vision and mission, the efforts of over 30,000 dedicated and loyal employees, I firmly believe that we are capable to meet those challenges and opportunities. We are well equipped and we are ready to mark another milestone.

LETTER FROM EXECUTIVE CHAIRMAN

APPRECIATION

On behalf of the Board, I would like to offer my heartfelt appreciation to our colleagues, management team for their dedication and effort, which is crucial to our success. My sincere gratitude is further extended to our shareholders, business associates, customers and suppliers for their ongoing support and confidence in the Group. With their dedications, commitments and contributions, another fruitful year has concluded. In the upcoming year, we will continue to work closely to create greater success for the Group and drive higher returns to the shareholders.

Lastly, I must express deepest sorrow, on behalf of the Company and the Board, for the passing away of our past executive director, Ms Ding Kai on 11 February 2012. During her tenure of office, she made invaluable contributions to the Group.

I look forward to reporting to you another fruitful year in 2013.

Yours sincerely,

Zhang Xuebin

Executive Chairman

27 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall Business Review

The consolidated turnover of Skyworth Digital Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the financial year ended 31 March 2012 (the "Reporting Year") reached HK$28,137 million (Year 2011: HK$24,339 million), representing an increase of 15.6%. The profit for the year reached HK$1,268 million (Year 2011: HK$1,281 million), slightly decreased by 1.0%, year-on-year. Gross profit margin was 21.2% (Year 2011: 19.2%), increased by 2.0 percentage points compared with that of the financial year ended 31 March 2011 (the "Previous Year").

For the Reporting Year, the TV sales volume reached 9.25 million sets, 0.25 million sets more than target, of which the mainland China market accounted for 7.02 million sets, exceeding target by 0.02 million sets; whilst the overseas markets accounted for 2.23 million sets, exceeding target by 0.23 million sets.

Continuous technological upgrade, product innovation and leading concept are the motivation for the Group development. For the Reporting Year, the Group benefited from 3D TV popularity, the Group achieved high operation efficiency, product mix optimization and product restructuring in response to the rapidly market changes. Furthermore, The Group attracted consumers by localizing after-sale service and adopted sales strategies tailored to specific market segments so as to boost turnover and strengthen the market position in rural areas and third and fourth-tier cities. From the stimulation of televisions ("TVs") with three dimensional ("3D") features and light emitting diode backlight ("LED LCD"), the Group's turnover recorded a remarkable growth in the mainland China TV market.

Although western economy downturn brings uncertainties to overseas demands for flat-panel TVs, the Group continued to expand its sales of LED LCD TVs in the emerging markets, including India, Indonesia, Philippines and Thailand. As a result, the sales volume of LED LCD TVs roared by 446.7% over the same period last year in overseas market.

In addition, the digital set-top box business, LCD module business and the white appliance business increased contribution that also drives the steady growth of the overall turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales Network in the PRC

Turnover analysis by geographical and product segments

Mainland China Market

For the Reporting Year, the mainland China market accounted for 88.1% of the Group's total turnover, recorded 11.8% growth from HK$22,180 million of that in Previous Year to HK$24,791 million. The related gross profit margin was 22.7% (Year 2011: 19.7%), representing an increase of 3.0 percentage points year on year.

The Group's TV business unit in mainland China market accounted for 88.9% of the total domestic turnover. The sales of digital set-top boxes and LCD module business units accounted for 7.9% and 1.1%, respectively. Other business units include those engaged in manufacturing of washing machines, refrigerators, moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 2.1%.

TV products

Customer-orientation is our core business idea. As such, the Group have launched CooCaa LED E70 Health Fitness TV, "non-blink" 3D TV and "cloud" TV series that represented our "unique healthy technology" product concept. During the Reporting Year, the Group introduced the E700S, E800A and E750A "Cloud Health" TV series that comprised with four health features and six health tests, providing our customer a brand new TV experience. For the Reporting Year, TV sales in mainland China market grew by 15.3% and reached HK$22,029 million (Year 2011:

HK$19,103 million). According to the TV market survey performed by All View Consulting Co., Ltd ("AVC"), Skyworth LCD TV (including LCD TV with cold cathode fluorescent lamp backlight ("CCFL") and LED LCD TV) ranked first in terms of cumulative sales volume, representing 16.7% of total market share, and ranked first and second in all TV in terms of cumulative sales volume and amount accounting for 15.2% and 13.8% of total market share, respectively, for twelve consecutive months ended 31 March 2012. AVC is a market research and marketing consulting company focusing on consumer electronic and home appliance industry, the establishment of which was initiated and advocated by China Video Industry Association in the PRC with data covering 439 major cities and 4,579 retail terminals in the mainland China.

E650S E600D

Skyworth launched CooCaa Smart 3D TV and "Cloud" 3D TV, using "non-blink" 3D as its marketing slogan to differentiate our outstanding performance and quickly penetrate the 3D products market share and achieved excellent turnover in TV industry. For the Reporting Year, over 7.00 million flat panel TV sets under **Skyworth** brand were sold in mainland China, of which 4.13 million were LED LCD TVs, rose by 33.9 percentage points and represented 58.9% of the Group's total flat panel TV sales in mainland China. Included in the LED LCD TVs volume was 1.35 million 3D LED LCD TVs, representing 19.3% of the Group's total flat panel TV sales in mainland China market.

Being the first batch granted with the high and new tech enterprises, the Group continued to develop high-end and high value-added products to strengthen brand awareness. During the Reporting Year, key awards contributing to the improvement of TV products sales in mainland China market include:

- In the 2011 survey and election of "Best Companies in Management and Corporate Governance" held by Asia Money, Skyworth Digital Holding Company Limited was granted the award "Best Managed Medium Cap Company in China 2011".

- In the "2011 7th Summit Forum of China Digital TV Industry", the Group was awarded "2011 Outstanding Contribution Award for Smart TV Industry", and CooCaa Smart 3D TV E96RS series also won the "2011 Top Ten Flat-Panel TV Products".

- In the "2011 6th China Digital TV Annual Festival", Skyworth CooCaa Cloud TV won the "2011 Technology Innovation Award", and Cloud TV 65E99RS won the "2011 Product Innovation Award".

- In the "2011 China Most Successful Design Competition" event, Skyworth Cloud TV 46E98 won the "2011 Most Successful Design Award" with its transcendent creative outlook.

- In the "4th China's Trademark Festival", the Group was honored as "2011 Consumers Most Favorite Green Trademark".

- In the "Most Influential National Brand of Guangdong Home Appliance Industry" activities, which held by the Guangdong Home Appliances Chamber of Commerce, the Group was awarded "The Most Influential National Brand of Guangdong Home Appliance Industry".

- Shenzhen Skyworth-RGB Electronics Company Limited was awarded the "China Industrial Innovation-based Benchmark Enterprise", which was the only awarded enterprise in the color TV industry.

- In the "China's Top Ten Industry Design" event, held by China Industry Design Association (CIDA), the Innovation Design Center of Shenzhen Skyworth-RGB Electronics Company Limited was awarded the "2011 China's Top Ten Most Promising Design Center".

- In the "China's Electronics Enterprises Valuation Assessment" activities, Skyworth has been rewarded the honor of "Top 10 Fastest Growing Brands" and has been titled the fastest growing color TV for four consecutive years. Shenzhen Skyworth-RGB Electronics Company Limited has been honored as "2011 The Most Valuable Flat Panel TV Brand", and the Skyworth Cloud TV series have been titled "2011 Top 10 New Electronics of China".

- With instant service response and high customer satisfaction being the assessment indicators, Skyworth was honored as "2011 Advanced Enterprise in Service Quality" for three consecutive years.

- Skyworth ranked 33rd in "2011 China Green Brand Top Hundred List" which released by "China Brand" magazine and China Brand Research Center of Beijing University.

E800A

Digital set-top boxes

For the Reporting Year, the digital set-top boxes turnover in mainland China market recorded HK$1,963 million (Year 2011: HK$2,676 million), representing a decrease of 26.6% or HK$713 million.

Due to the slow down of digital and cable TV conversion process, plus the intensified price competition in China market, demand for digital set-top boxes has declined, both in sale volume and turnover. However, research on the market share has an increase of 5.2 percentage points from 20.3% to 25.5% for digital set-top boxes business. This demonstrated that the Group continued to refine product quality and release new products to improve the market share in mainland China market. In 2012, the digital set-top boxes business unit will continue to diversify, involving in mobile phones, telecom and IPTV products, which represent another growing point.

Being the market leader, the digital set-top boxes business applies advance technology to lower cost and to increase production efficiency, which leads to an increase of gross profit margin from 19.1% of that in previous year to 27.7%.

LCD Modules

For the Reporting Year, turnover of LCD modules in mainland China market recorded HK$265 million (Year 2011: HK$111 million), representing a substantial increase of 138.7% or HK$154 million.

With the increasing popularity of LED backlight display products, the Group possesses sophisticated LED backlight module technology and quality that successfully retained our brand reputation. Recognition of product quality by international brands helped the Group to maintain a stable customer base.

For the Reporting Year, sales orders rose significantly due to additional strategic customers, especially the small-size LCD modules. To meet customers' stringent requirements and confront with growing competition, the LCD modules business maintained its profitability by upgrading its product offerings, continuing to improve production process, exploring different markets and expanding the customer base.

Management of the LCD Modules business unit issued a series of instructions, regulatory manuals and supply chain management rules in order to standardize the management system and strengthen resources to reduce the defective rate. Being affected by individual customer pricing, gross profit margin for the Reporting Year was 12.3% (Year 2011: 14.1%), slipped by 1.8 percentage points.

Overseas Markets

The turnover generated from overseas markets accounted for HK$3,346 million (Year 2011: HK$2,159 million), equivalent to 11.9% of overall turnover (Year 2011: 8.9%), roared by HK$1,187 million or 55.0%. The gross profit margin was 8.9% (Year 2011: 12.9%), representing a decrease of 4.0 percentage points.

TV products

For the Reporting Year, overseas market expansion and greater brand competitiveness benefits overseas TV products turnover, by increasing 52.7% to HK$1,619 million (Year 2011: HK$1,060 million), equivalent to 48.4% (Year 2011: 49.1%) of the total overseas turnover. Overall sales volume increased by 39.4% to 2.23 million sets, of which cathode ray tube ("CRT") TVs slightly increased by 4.5% to 1.17 million sets, and flat panel TV sharply increased by 125.5% or 0.59 million sets.

For the Reporting Year, the Group marched towards the overseas markets with **Skyworth** brand TVs by incorporating sales offices in India, Philippines, Indonesia, Thailand and Australia. Sale amount in our own brand amounted to a total of HK$72 million. Geographical expansion helped to grasp the opportunities in rapid development of sales network. The turnover of overseas markets was encouraging.

Digital set-top boxes

The sales amount of overseas digital set-top boxes for the Reporting Year rose by 37.5% to HK$1,402 million (Year 2011: HK$1,020 million).

Increasing demand of digital set-top boxes is driven by new digital platforms and business expansion of digital TV operators in Asia, which significantly enhanced the turnover in the region. The sales amount of digital set-top boxes recorded a growth of 6.8 percentage points from 9.2% of the total turnover in previous year to 16.0%. Although the Eurozone debt crisis has not yet resolved, the overall sales in Europe had recorded a growth of 46.2%, resulting from product diversification, well-built customer relationship and successful marketing tactic. In 2012, the digital set-top box business would keep on exploring overseas markets and in particular, it will seize the opportunity of digital conversion in India and Indonesia, as well as to actively exploit the market in Eastern Europe, Russia and Africa.

Geographical distribution in overseas markets

During the Reporting Year, the Group's major overseas markets are in Asia, America and Europe, which contributed a total of 88.0% (Year 2011: 84.0%) of the total overseas turnover. The turnover from Asia market rose 6.0 percentage points due to emerging markets expansion. Middle East, Australia and New Zealand and Africa markets accounted for 12.0% of the total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	twelve months ended 31 March	
	2012 (%)	2011 (%)
Asia (including Japan, Korea, Vietnam, etc.)	**37**	31
America	**27**	26
Europe	**24**	27
Middle East	**5**	5
Australia and New Zealand	**4**	5
Africa	**3**	6
	100	100

Gross Profit Margin

For the Reporting Year, declining LCD panel price, improvement of sales channel mix, and rapid growing sales volume of LED LCD TVs and 3D TVs led to a 2.0 percentage points growth in overall gross profit margin, from 19.2% of the previous year to 21.2%.

To sustain growth in turnover, the Group continuously exploited mainstream and emerging distribution channels, as well as technological upgrade to accelerate product transform efficiency to fulfill different consumption patterns. In addition, the management of the Group believed that good product design will contribute to cost reduction. During the Reporting Year, the Group had devoted more resources in R&D and fasten the pace of new product launching to enhance our competitiveness, driven an increase in overall gross profit margin with the composition of high-end, high value-added and high margin products mix.

Besides, the Group strengthened cost controls management and executed effective gross margin measures to assure its leading market presence in order to maximise stakeholders' interests.

Selling and Distribution Expenses

The Group's selling and distribution ("S&D") expenses included brand promotion and marketing expenses, sales and marketing related salaries, repairs and maintenance and transportation expenses. For the Reporting Year, S&D expenses rose by 32.1% or HK$917 million from last year to HK$3,771 million. The ratio of S&D expense to turnover grew 1.7 percentage points from 11.7% to 13.4%.

During the Reporting Year, in line with a series of new products, the Group initiated various promotion activities through technical presentations and media advertisement to emphasize our brand influence. In addition, the Group enhanced more in distribution channel and brand building in rural market to strengthen our leading position, which led to an increase of the advertising and promotional expenses for the Year. To compete with foreign brands, the Group concentrated resources to develop new sales channel and improved salesman capability, thus correspondent selling costs had increased.

Albeit S&D expenses had increased, the Group endeavored to improve product reliability continuously, constraining warranty and maintenance costs to enhance brand and Group's reputation that maximised stakeholder interests in the long run.

General and Administrative Expenses

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$210 million or 30.2% to HK$906 million. The G&A expenses to turnover ratio for the year have increased by 0.3 percentage points to 3.2%.

To maintain the ability to offer quality products with latest technology features, the Group had devoted more resources in research and development ("R&D") during the Reporting Year, that triggered an increase of HK$60 million or 48.0% in R&D expenses and increase of HK$18 million or 43.9% in technical consultancy fees. Secondly, the staff salary and welfare increased by HK$37 million, or 18.0% due to the increase in number of employees, the minimum wages adjustment and also the performance related bonus. Other expenses did not change significantly, compared with that of last year.

Management of the Group believes to maintain a high standard of cost control to G&A expenses were for the benefits of the Group. Management regularly reviewed and updated controls and procedures to ensure that cost objectives can be achieved.

Inventory Control

The net carrying value of the Group's inventories reached HK$3,151 million (Year 2011: HK$2,657 million) as at the Reporting Year ended, representing an increase of HK$494 million or 18.6% from that as at 31 March 2011.

Having 3D LED LCD TVs as our focal point in short run, the higher cost of its relevant raw materials pushed up the carrying value of the overall inventory. In addition, surging TV sales and demands with quicker new product cycle caused a realignment to raw material reserves for scale-up production, mitigating risks of future costs and output disruption. Furthermore, to meet the demand in Labour Day Holidays and to match up the launching of the new Cloud Health TV series also led to a higher inventory level.

In order to stringent inventory control over logistics and supply-chain management, and remain vigilant to the risk of slow-moving and obsolete inventories, the following courses of actions were adhered:

- **Effective supply chain and logistics management** – improve supply chain management system including further refine liaison and communication 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 the business units and the Group as a whole.

At the end of the Reporting Year, the inventory turnover days for raw materials and finished goods were 16 days and 30 days (Year 2011: 22 days and 32 days), respectively. The inventory turnover shortened in comparison to 2011, reflecting the effectiveness on inventory control and speeding up to the products transformation.

Trade Receivables and Bills Receivable

At the end of the Reporting Year, the Group had a total of HK$11,623 million (Year 2011: HK$9,302 million) trade receivables and bills receivable. Comparing to the year ended at 31 March 2011, the two receivables increased by HK$2,321 million, or 25.0%. Trade receivables increased by HK$454 million or 22.1% to HK$2,505 million, whilst bills receivable also increased by HK$1,867 million or 25.7% to HK$9,118 million. The main components of these receivables were TV business unit and digital set-top boxes business unit, which accounted for 79.1% and 16.4% respectively.

TV business unit's rising trade and bills receivables was coherent with its increase in sales turnover. The primary digital set-top boxes customers are cable operators under national, provincial and municipal broadcasters. Both long repayment terms and large scale of sales volume during the year was consistent with the growth ratio in trade and bills receivables. The digital set-top boxes business unit had implemented a measurement to customer's creditability to determine their credit limit and period, and established systematic procedure to track customers' overdue.

Trade Payables and Bills Payable

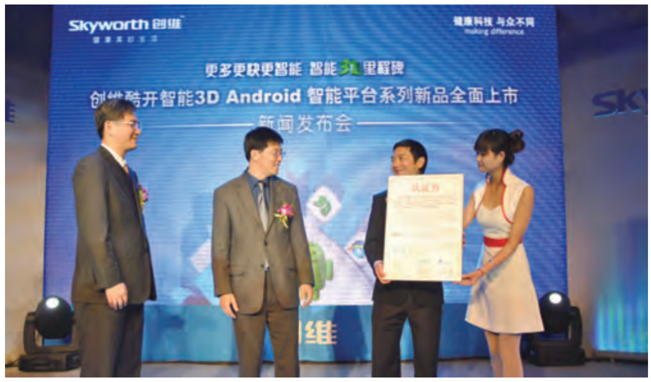
At the end of the Reporting Year, the Group's trade payables amounted to HK$4,123 million (Year 2011: HK$2,615 million), increased by HK$1,508 million or 57.7%; bills payable accounted for HK$941 million (Year 2011: HK$917 million), increased by HK$24 million or 2.6%.

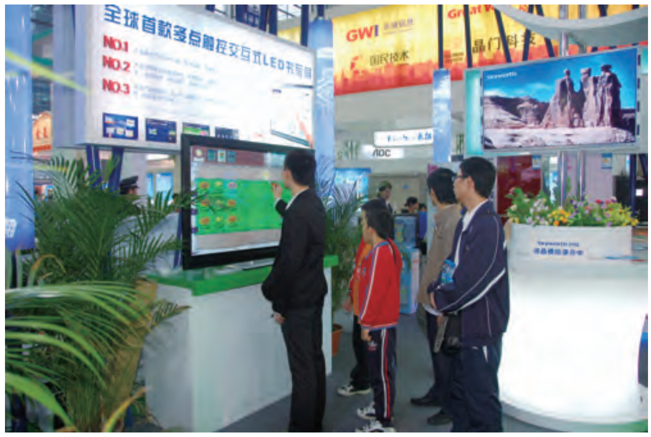
The payable balance increased primarily reflected the large quantity procurements from soaring product demands, as well as the elevated TV and digital set-top boxes business units raw materials prices and the higher unit costs from product revolution. As the sales increase necessitated the needs to enhance 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy in order to maintain a financial position with stable growth. At the end of the Reporting Year, the Group's net current assets amounted to HK$6,819 million (Year 2011: HK$6,012 million), increased by HK$807 million or 13.4%. Bank balances and cash amounted to HK$2,164 million (Year 2011: HK$2,524 million), representing a decrease of HK$360 million, compared with that at 31 March 2011. Structured bank deposit amounted to HK$224 million, representing an increase of HK$188 million, compared with that at 31 March 2011; whilst the pledged bank deposits amounted to HK$630 million at 31 March 2012, representing an increase of HK$72 million from that at 31 March 2011. The increase in pledged bank deposits at the Reporting Year end was mainly due to addition cash injected for new currency forward contracts with financial institutions as disclosed in note 34 of the annual report.





The Group secured certain assets against its trade facilities and loans granted from various banks. Such secured assets included HK$630 million bank deposits and HK$224 million structured bank deposits, as well as certain prepaid lease payments on land use rights, leasehold land and properties in mainland China and Hong Kong with net book value of HK$138 million (Year 2011: HK$179 million) as at the end of the Reporting Year.

The Group adopted principle of prudence and remained financially sounded. At the end of the Reporting Year, total bank loans amounted to HK$4,283 million (Year 2011: HK$4,355 million) which included foreign currency forward contracts for HK$123 million. Equity attributable to owners of the Company amounted to HK$8,469 million (Year 2011: HK$7,074 million); debt to equity ratio was 44.8% (Year 2011: 51.1%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY

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 United States ("US") dollars. During the Reporting Year, the Group required to carry out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group increased the utilizations 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$169 million (Year 2011: HK$97 million) net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to mild RMB fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements. During the Reporting Year, the Group engaged into several arrangements with certain banks, such as foreign currency forward contracts, target redemption forward contracts, performance swap contract and cross-currency interest rate swaps contract of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollars. For details of the arrangements, please refer to note 30 of the annual report.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, certain investment properties with net carrying value of HK$68 million was transferred from investment properties to property, plant and equipment in accordance with Hong Kong accounting standards. An addition of HK$182 million in construction projects were under way, including certain new production line projects and energy-saving facilities, the ongoing construction of logistic centres, and the new construction phases for Guangzhou and Shenzhen. These projects are positive influential to the productivity and providing tactics to complete orders on time. The Group had spent approximately HK$380 million on machinery in production line setups and other equipments; and has planned to commit HK$746 million on plant, logistic centres 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$8 million in technological research and development through direct investments or available-for-sale investments in TV industries, to constitute supports for more integrated TV products development. To sustain further expansion and development of diversified businesses, HK$246 million was invested for establishment of new growth points including overseas sale offices, components manufacturing, and e-commerce platform, widening consumer choices of quality products.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Reporting Year. Guarantee for bank borrowing to one of its jointly controlled entities amounting to HK$25 million (2011: nil) are granted and disclosed in note 49 of the annual report.

Certain patent disputes 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES CAPITAL

At 31 March 2012, the Group had over 30,000 (Year 2011: 23,300) employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 42 branches and 199 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, 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

Due to replacement of old-fashioned TV by LED LCD TV and the Chinese Government new subsidies program for energy-efficient televisions, the Group projects an aggregated annual target of 10.0 million sets TV sales volume for the Upcoming Year, 7.6 million sets in the mainland China market and 2.4 million sets in the overseas markets respectively. The mainland China TV sales target consists of 0.3 million LCD TV with cold cathode fluorescent lamp and 7.3 million LED LCD TV (including 4.0 million 3D LED LCD TV).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH THE CODE

During the year ended 31 March 2012 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 ("CEO") of an issuer should be separate and should not be performed by the same individual.

Since 29 June 2005, the Company had separated the role of chairman and CEO. Until the resignation of Mr. Wang Dianfu, the former executive chairman, on 1 April 2007, Mr. Zhang Xuebin ("Mr. Zhang"), the CEO of the Company at that time, has assumed the role of executive chairman as well. The board of the directors of the Company (the "Board"), after deliberate consideration, decided on 14 February 2012 that it was the appropriate time to separate the role of chairman and CEO again.

Effective from 15 February 2012, Mr. Zhang, has been re-designated from executive chairman and CEO to executive chairman, and Mr. Yang Dongwen ("Mr. Yang"), an executive director of the Company, has been re-designated from the president of TV business unit, to CEO of the Company.

As a result of the above re-designation, the Company is in compliance with the code provisions of the Code.

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 nine members. Among them, six are executive directors ("EDs") and three are independent non-executive directors ("INEDs"). The biographical details of the directors of the Company ("Directors"), including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 35 to 43 of this annual report.

Executive directors

All of the EDs possess the qualification and experiences in their respective areas of responsibility and 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.

Mr. Shi Chi has been appointed as an ED of the Company since 15 July 2011. Mr. Shi joined in 2000, is the president of Shenzhen Skyworth Digital Technology Co. Ltd. With the extensive experience in the electronics industry, the Board believes that Mr. Shi could definitely bring new insights to the Board.

Independent non-executive directors

Currently, the three INEDs are experienced professionals with different expertise in accounting, legal and finance. Their mix of skills and experience, and their independent view would definitely 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.

Appointment, re-election and removal of directors

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

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

Access for supporting

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

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

Board and executive meetings

The Board held a total of four meetings during the year ended 31 March 2012. Of these, two meetings were held mainly for approving the 2010/11 final results and the 2011/12 interim results of the Company; the other meetings were held to consider important issues of the Group.

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 2012, the EDs held one meeting, which was 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 2012 are set out as follows:

	Board meetings		**EDs' meetings**	
Name of director	**Number of meetings attended/held**	**Attendance rate**	**Number of meetings attended/held**	**Attendance rate**
Executive Directors:				
Mr. Zhang Xuebin	4/4	100%	1/1	100%
Ms. Ding Kai (passed away on 11 February 2012)	0/3	0%	0/1	0%
Mr. Yang Dongwen	4/4	100%	1/1	100%
Ms. Lin Wei Ping	3/4	75%	0/1	0%
Mr. Lu Rongchang	2/4	50%	1/1	100%
Mr. Leung Chi Ching, Frederick	4/4	100%	1/1	100%
Mr. Shi Chi (appointed on 15 July 2011)	3/3	100%	1/1	100%
Independent non-executive Directors:				
Mr. So Hon Cheung, Stephen	4/4	100%	N/A	N/A
Mr. Li Weibin	4/4	100%	N/A	N/A
Ms. Chan Wai Kay, Katherine	4/4	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 2012.

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 nomination committee, remuneration committee and audit committee can be found on the Company's website through the link http://investor.skyworth.com/index.asp 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 14 members, including several EDs and 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 2012 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, which was further updated and approved on 30 March 2012. The Nomination Committee currently comprises four members. The chairperson of the Nomination Committee is Ms. Chan Wai Kay, Katherine and the other members are Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Leung Chi Ching, Frederick. Except for Mr. Leung Chi Ching, Frederick is an ED, the remaining three members are all INEDs.

The terms of reference of the Nomination Committee are summarized 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 CEO.

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

The Nomination Committee held two meetings during the year ended 31 March 2012. The meetings were held to review the composition of the Board, to nominate an executive director for the Board and to review the division of responsibilities between executive chairman and chief executive officer.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2012 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Ms. Chan Wai Kay, Katherine *(Chairperson)*	2/2	100%
Mr. So Hon Cheung, Stephen	2/2	100%
Mr. Li Weibin	2/2	100%
ED:		
Mr. Leung Chi Ching, Frederick	2/2	100%

Remuneration committee

A remuneration committee was set up under the auspices of the Board on 5 February 2005 (the "Remuneration Committee") with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012. The Remuneration Committee currently comprises four members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. So Hon Cheung, Stephen, Ms. Chan Wai Kay, Katherine and Ms. Lin Wei Ping. Ms. Lin Wei Ping was appointed on 15 July 2011 to replace Mr. Leung Chi Ching, Frederick who acted as a member since 5 February 2005 up to 15 July 2011. Except for Ms. Lin Wei Ping is an ED, the remaining three members of the Remuneration Committee are INEDs.

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

- 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 remuneration policy;

- to make recommendation to the Board on the 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 non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group;

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- 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;

- 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

- 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 four meetings during the year ended 31 March 2012. 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 2012, to review the proposals to grant stock options to certain EDs and management 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 2012 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. Li Weibin *(Chairperson)*	4/4	100%
Mr. So Hon Cheung, Stephen	4/4	100%
Ms. Chan Wai Kay, Katherine	4/4	100%
EDs:		
Mr. Leung Chi Ching, Frederick (resigned on 15 July 2011)	3/3	100%
Ms. Lin Wei Ping (appointed on 15 July 2011)	1/1	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 43 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 five highest paid individuals are set out in notes 14 and 15 to the consolidated financial statements.

Audit Committee

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

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://investor.skyworth.com/index.asp.

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 2012, the Audit Committee held three 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 2012.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2012 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. So Hon Cheung, Stephen *(Chairperson)*	3/3	100%
Mr. Li Weibin	3/3	100%
Ms. Chan Wai Kay, Katherine	3/3	100%

Accountability and Audit

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

Financial reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Group for the year. In preparing the consolidated financial statements for the year ended 31 March 2012, 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 2012, 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:

- reviewed and evaluated major business cycles of several business units.

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 2012, the Internal Audit Department issued over 200 reports to the Board and senior management on its regular reviews of operations and compliance audits of certain business units, sales offices and branches as well as reports on senior employees leaving their positions.

Internal audit plan

The Risk Management Department, by considering current status and future development of the Group, would submit an internal audit plan yearly ("IA Annual Plan") to the Audit Committee and the Board 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 auditor

The Group's external auditor is Deloitte Touche Tohmatsu. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. Up to the date of this report, the Audit Committee has considered and approved the engagement of Deloitte Touche Tohmatsu as auditor of the Group for the year ended 31 March 2012 and the corresponding audit fee 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 2012 were as follows:

	For the year ended 31 March	
Nature of services	**2012** **Amounts** **HK$'000**	2011 Amounts HK$'000
Audit service (including review of interim financial statements)	**8,703**	8,285
Tax related service	**214**	137
Total	**8,917**	8,422

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 http://investor.skyworth.com/index.asp;

- 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 chairpersons 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 http://investor.skyworth.com/index.asp; 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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Zhang Xuebin, aged 49, is an executive director of the Company, and has been elected by the board as executive chairman with effect from 1 April 2007. He is also a director of certain subsidiaries of the Company. Mr. Zhang joined the Group in March 2001 and was the chief executive officer of the Company from June 2005 to February 2012. He was 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 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 2012, Mr. Zhang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Yang Dongwen, aged 47, is an executive director and the director of certain subsidiaries of the Company. With effective from 15 February 2012, he has been appointed as chief executive officer. He mainly focuses on the business operations of the Group, assists the Board to formulate strategies for the Group and make sure they are implemented successfully. 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 as the president of the China TV business unit of the Group, responsible for managing the research, manufacture and sales of the Group's television products. 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 2012, Mr. Yang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

Mr. Leung Chi Ching, Frederick, aged 54, is an executive director, the chief financial officer, company secretary and a member of nomination committee 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 29 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 2012, Mr. Leung has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Ms. Lin Wei Ping, aged 54, is an executive director, a member of remuneration committee of the Company and a director of certain subsidiaries of the Company. She joined the Group in 1993 and is currently the vice president of Skyworth Group. Prior to that, Ms. Lin was the deputy manager of purchasing department and administration manager in Hong Kong as well as head of human resources department of the Group, 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 2012, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

Mr. Lu Rongchang, aged 66, is an executive director of the Company. He joined the Group in May 2006, and is currently the chief technology officer and the head of R&D Institute of Skyworth Group, and the executive vice president and the general manager of the R&D Department of China TV business unit of the Group. 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 worked in companies in television and communications industry, including Panda Electronics Group. Mr. Lu has over 19 years working experience as general manager and chief engineer as well as has achieved many national and provincial honors.

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

As at 31 March 2012, 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 pages 51 to 57 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Shi Chi, aged 41, is an executive director of the Company. He joined the Group in 2000 and is the President and founder of Shenzhen Skyworth Digital Technology Co. Ltd. ("Shenzhen Digital"), a subsidiary of the Company in which Mr. Shi holds 5% of the shareholding and also the director of certain subsidiaries of the Company. Mr. Shi graduated from Huazhong University of Science & Technology with a Doctorate degree in Communication and Electronic System. Mr. Shi has been participating in numerous national and provincial projects on technological researches, in charge of designing several high-end digital television products and publishing over 20 articles in various professional and science journals. He is a Member of The 5th Shenzhen Committee of Chinese People's Political Consultative Conference and the Vice President of China Radio and TV Equipment Industry Association.

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

As at 31 March 2012, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. So Hon Cheung, Stephen, aged 56, is an independent non-executive director of the Company, the chairperson of the audit committee, and a member of remuneration committee and nomination committee of the Company. Mr. So is a practicing accountant and is a director of the accounting firm T.M. Ho, So & Leung CPA Limited. Mr. So holds a bachelor degree of commerce from the University of British Columbia, Canada. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants, a member of the Chartered Institute of Management Accountants and a member of the Society of Certified Management Accountants of Canada. He is a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong in the PRC. Mr. So has extensive experience in the commercial sector of manufacturing, wholesale and trading in various companies in Hong Kong and Canada.

At present, Mr. So is also an independent non-executive director of two companies listed on The Stock Exchange of Hong Kong Limited, namely, Pine Technology Holdings Limited, and Milan Station 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 2012, Mr. So has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Li Weibin, aged 51, is an independent non-executive director of the Company, the chairperson of remuneration committee, a member of audit 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 27 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 2012, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 51 to 57 of this annual report.

Ms. Chan Wai Kay Katherine, aged 53, is an independent non-executive director of the Company, the chairperson of nomination committee, a member of audit committee and remuneration committee of the Company. Ms. Chan holds a Bachelor degree of Business Administration from the University of Southern California, USA. Ms. Chan has around 20 years of experience in financial services industry and has extensive experience in supervising initial public offerings and other fund raising exercises conducted by companies in Asia. With various key positions previously held in listed companies, Ms. Chan has profound practicing knowledge in company's strategic planning and corporate management of listed companies.

At present, Ms. Chan is also the Chairman and an executive director of China Ground Source Energy Limited (Stock code: 8128) which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong.

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

As at 31 March 2012, Ms. Chan has no interest in the shares of the Company within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. Liu Tangzhi, aged 49, joined the Group in 1998. Mr. Liu is the president of China TV business unit of the Group and also a director of certain subsidiaries of the Company. Mr. Liu graduated from the Zhongnan University of Economics and Law in Wuhan with a bachelor degree in economics, and graduated from Macao University of Science and Technology with a master degree in business administration.

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

Mr. Wang Dehui, aged 56, joined the Group in 2007. Mr. Wang is the general manager of manufacture headquarters in Shenzhen Chuangwei-RGB Electronics Co., Ltd. and a director of certain subsidiaries of the Company. Mr. Wang graduated from the Jiangxi Institute of Technologies (now is called Nanchang University) with a bachelor degree in mechanical engineering, and graduated from Renmin University of China in master of business administration in 2003. Mr. Wang has dedicated to research moulds, injection moulding, spraying and machinery manufacturing industry for over 28 years. In 1996, he was awarded the title of senior engineer, has owned a number of national patent and national scientific and technological achievements.

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

Mr. Li Xiaofang, aged 49, joined the Group in 2000, and is the general manager of Skyworth LCD Modules (Shenzhen) Co., Ltd. Mr. Li graduated from Shaanxi University of Technology with a bachelor degree in mechanical engineering in 1984 and graduated from Xi'an Jiaotong University with a master degree of management engineering in 1986. He graduated in Tianjin University with PhD degree, and was also an associate professor in economics and management. 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.

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Guo Limin, aged 54, joined the Group in July 1999, and is 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.

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

Mr. Hu Zhaohui, aged 42, joined the Group in January 2006 and is the chairman and the general manager of 深圳市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, graduated from China Europe International Business School (CEIBS) with executive master degree in business administration. 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 past executive director of the Company who passed away on 11 February 2012. Save and except for the relationship mentioned above, Mr. Hu does not have any other relationships with any other director, senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Dong Ning, aged 35, joined the Group in 1999. Ms. Dong 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.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Ms. Zhou Tong, aged 44, 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 and the general manager of corporate strategy cooperation department. Now she is the general manager of corporate strategy, partnership and investment department, 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 23 years of working experience in various business management areas across auto parts, consumer electronics, and services industries. Her 19 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.

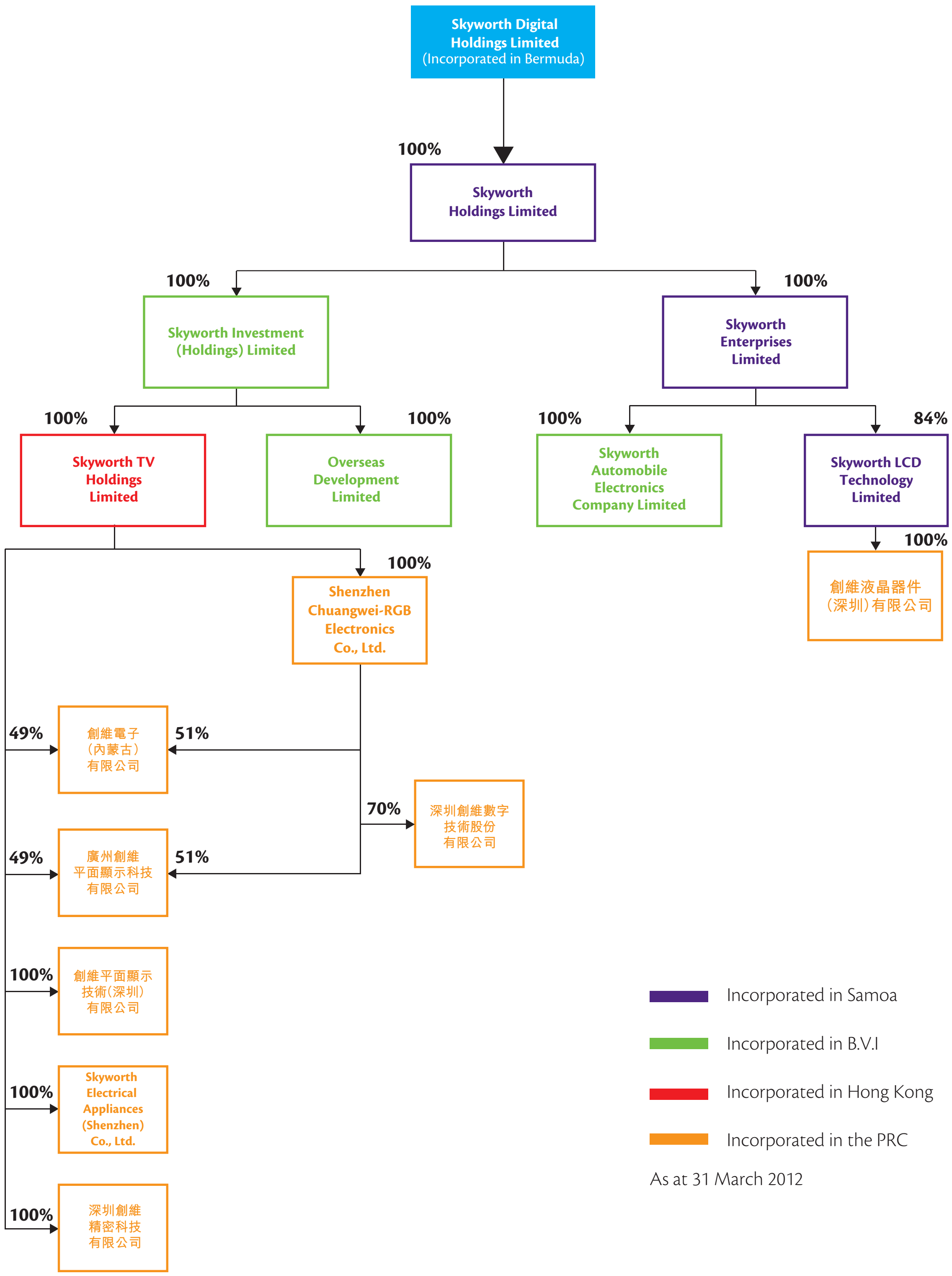
Save and except for the relationship with the Company, Ms. Zhou does not have any relationship with any director, senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Shao Meifang, aged 56, joined the Group in 2002 Ms. Shao is the general manager of Skyworth Group construction business unit, and director of certain subsidiaries of the Company. She 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 over 20 years of working experience in star-rated hotels and investing development companies acting as deputy general manager, general manager and other management positions.

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

CORPORATE STRUCTURE

Simplified corporate structure diagram



As at 31 March 2012

INVESTOR RELATIONS

INVESTOR RELATIONS

CALENDAR OF MAJOR IR ACTIVITIES

April 2011 – March 2012

Time	Events
April 2011	• Normura "Bento Series" lunch meeting in Hong Kong
May 2011	• 16th CLSA China Forum 2011 at Beijing, China • Investor Group Plant Tour at Shiyan, Shenzhen arranged by CLSA
June 2011	2010/11 Annual Results Announcement • Analysts Presentation, webcasting and conference calls • Press Conference • Post-result Hong Kong roadshow arranged by Credit Suisse
July 2011	• Post Annual Results Singapore roadshow arranged by Credit Suisse • Post Annual Results Video Conferencing with Tokyo arranged by Daiwa Capital Markets • Post Annual Results US roadshow arranged by JP Morgan
August 2011	2010/11 Annual General Meeting • Press Briefing
September 2011	• Post Annual Results Europe roadshow arranged by Credit Suisse • Credit Suisse 12th Asian Technology Conference 2011 at Taipei • 18th CLSA Investors' Forum in Hong Kong
October 2011	• J.P. Morgan's HK & China Small Mid Cap Corporate Access Day in Hong Kong • Citi Greater China Investor Conference in Macau
November 2011	2011/12 Interim Results Announcement • Analysts presentation, webcasting and conference calls • Press conference • Post-result Hong Kong roadshow arranged by Credit Suisse • Post-result Singapore roadshow arranged by DBS Vickers
December 2011	• Post-result Tokyo roadshow arranged by Daiwa Capital Markets • SWS (ShenYin WanGuo) Overseas-Listed Chinese Private Enterprise Forum at Shenzhen, China
January 2012	• CES (Consumer Electronics Show) Normura Conference at Las Vegas, USA • CLSA China Industrial Access Day in Hong Kong
February 2012	• HSBC Technology Day 2012 in Hong Kong
March 2012	• Bank of America Merrill Lynch "Taiwan, Technology & Beyond" Conference in Taipei • The 15th Credit Suisse Asian Investment Conference 2012 in Hong Kong

INVESTOR RELATIONS

"Best Managed Company in China Medium Cap"

In the 2011 survey and election of "Best Companies in Management and Corporate Governance" held by Asiamoney, Skyworth Digital Holding Company Limited was granted the award of "Best Managed Medium Cap Company in China 2011 ".

This is a precious recognition and great honor given by the investor community towards Skyworth based on overall company results, corporate governance and management!

In the methodology, 455 listed companies were considered in the award. In China, there were only three companies who were granted, small cap, medium cap (Skyworth) and large cap.

Asiamoney has been established since 1989, the longest standing and oldest financial publication dedicated to the financial analysis of the capital market in the Asia Pacific region. Asiamoney is part of Euromoney Institutional Investor (Jersey) Ltd. and therefore is entitled to the exposure that the group enjoys. It the most widely read financial monthly publication published by The Global Capital Markets Survey 2010.

The readers of Asiamoney largely consist of multinational corporations, fund managers and institutional investors and is the most widely read monthly financial publication of the Asia Pacific region. The benchmark polls and awards is watched by the top executives including CEOs, CFOs, institutional investors of the whole Asia Pacific region and is one of the most high regarded awards.

At year end every year Asiamoney always conduct a poll to find out the best managed companies in each country, the best corporate governance companies, the best Investor Relations, the best financing solutions etc. through the Corporate Governance Polls and the results will be published in the magazine. The awards are conducted by an independent, open-end questionnaire filled in by fund managers, institutional investors, multinational corporations, depending on the poll.

DIRECTORS' REPORT

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 2012.

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 52 and 22 of the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 62 of the annual report.

An interim dividend of HK5.5 cents (2011: HK5 cent) per share amounting to HK$146 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK10 cents (2011: HK9 cents) per share to the shareholders on the register of members of the Company on 7 September 2012, estimated to be HK$269 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 pages 156 to 157 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 17% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 46% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 25% 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$182 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately HK$221 million for the expansion of existing and setting up new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 42 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.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2012 amounted to approximately HK$2,180 million (2011: HK$953 million).

DONATIONS

During the year, the Group made charitable donations amounting to HK$364,964.

DIRECTORS

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

Executive directors:

Zhang Xuebin	*(Executive Chairman)*
Ding Kai	(passed away on 11 February 2012)
Yang Dongwen	*(Chief Executive Officer*, appointed on 15 February 2012*)*
Lin Wei Ping	
Lu Rongchang	
Leung Chi Ching, Frederick	
Shi Chi	(appointed on 15 July 2011)

Independent non-executive directors:

So Hon Cheung, Stephen
Li Weibin
Chan Wai Kay, Katherine

In accordance with Clauses 86 and 87 of the Company's bye-laws, Mr. Yang Dongwen, Mr. Lu Rongchang and Mr. So Hon Cheung, Stephen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other Directors continue in office.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 35 to 43 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 21 to 34 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 50 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2012, 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 2012, 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		7,208,930	0.27%
	Held by trust	*(Note a)*	841,891,916	31.27%
	Held by spouse	*(Note b)*	72,129,165	2.68%
		(Note c)	921,230,011	34.22%
Yang Dongwen	Beneficial owner		14,507,139	0.54%
Zhang Xuebin	Beneficial owner		9,798,257	0.36%
Leung Chi Ching, Frederick	Beneficial owner		6,358,000	0.27%
Ding Kai (passed away on 11 Feb 2012)	Beneficial owner		2,909,436	0.11%
Lu Rongchang	Beneficial owner		2,645,416	0.10%
Li Weibin	Beneficial owner		875,000	0.03%
Shi Chi	Beneficial owner		510,378	0.02%
So Hon Cheung, Stephen	Beneficial owner		157,553	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 841,891,916 ordinary shares of the Company.

(b) Ms. Lin Wei Ping is deemed to be interested in 72,129,165 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 921,230,011 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 43 to the consolidated financial statements.

(ii) As at 31 March 2012, 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
Lu Rongchang	Beneficial owner	8,500,000
Shi Chi	Beneficial owner	8,250,000
Yang Dongwen	Beneficial owner	5,500,000
Zhang Xuebin	Beneficial owner	750,000
Ding Kai (passed away on 11 February 2012)	Beneficial owner	500,000
Lin Wei Ping	Beneficial owner	500,000
Leung Chi Ching, Frederick	Beneficial owner	500,000
So Hon Cheung, Stephen	Beneficial owner	125,000
Li Weibin	Beneficial owner	125,000
		24,750,000

(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 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors:								
Zhang Xuebin								
11 May 2007	1.048	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 2011	6 November 2011 to 30 September 2018	750,000	–	(750,000)	–	–
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	750,000	–	–	–	750,000

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

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

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors: *(continued)*								
Ding Kai (passed away on 11 February 2012)								
11 May 2007	1.048	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 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
Yang Dongwen								
11 May 2007	1.048	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 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
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	–	1,000,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	1,000,000	–	–	–	1,000,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	1,000,000	–	–	–	1,000,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	1,000,000	–	–	–	1,000,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	1,000,000

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

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

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors: *(continued)*								
Lin Wei Ping								
11 May 2007	1.048	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 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
Lu Rongchang								
11 May 2007	1.048	11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	750,000	–	(750,000)	–	–
1 February 2008	0.770	1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	250,000	–	(250,000)	–	–
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	250,000	–	–	–	250,000
6 November 2008	0.374	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
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	1,500,000	–	–	–	1,500,000
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	1,500,000	–	–	–	1,500,000

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 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors: *(continued)*								
Lu Rongchang *(continued)*								
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	1,500,000	–	–	–	1,500,000
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	1,500,000	–	–	–	1,500,000
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	–	400,000	–	–	400,000
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	–	400,000	–	–	400,000
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	–	400,000	–	–	400,000
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	–	400,000	–	–	400,000
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	–	400,000	–	–	400,000
Leung Chi Ching, Frederick								
11 May 2007	1.048	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 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 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors: *(continued)*								
So Hon Cheung, Stephen								
1 February 2008	0.770	1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	125,000	–	(125,000)	–	–
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	125,000	–	–	–	125,000
Li Weibin								
1 February 2008	0.770	1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	125,000	–	(125,000)	–	–
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	125,000	–	–	–	125,000
Shi Chi								
6 November 2008	0.374	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
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	–	–	–	600,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	600,000	–	–	–	600,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	600,000	–	–	–	600,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	600,000	–	–	–	600,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	–	–	–	600,000

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 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors: *(continued)*								
Shi Chi *(continued)*								
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	–	1,000,000	–	–	1,000,000
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	1,000,000	–	–	1,000,000
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	1,000,000	–	–	1,000,000
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	1,000,000	–	–	1,000,000
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	–	1,000,000	–	–	1,000,000
				29,750,000	7,000,000	(12,000,000)	–	24,750,000

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 2012.

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 43 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 2012.

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 2012, 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)*	841,891,916	31.27%
HSBC International Trustee Limited	Trustee *(Note b)*	841,891,916	31.27%
Wong Wang Sang, Stephen	Beneficial owner	72,129,165	2.68%
	Held by spouse *(Note c)*	849,100,846	31.54%
Lin Wei Ping	Beneficial owner	7,208,930	0.27%
	Held by spouse *(Note d)*	914,021,081	33.95%

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 841,891,916 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 849,100,846 shares being the interests held by his spouse, Ms. Lin Wei Ping (841,891,916 shares held by Target Success Group (PTC) Limited and 7,208,930 shares held by herself).

Note d: Ms. Lin Wei Ping, is deemed to be interested in 914,021,081 Shares being the interests held by her spouse, Mr Wong Wang Sang, Stephen (841,891,916 shares held by Target Success Group (PTC) Limited and 72,129,165 shares held by himself).

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 shares, or share options of the Company as at 31 March 2012.

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 2012.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2012 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
27 June 2012

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 62 to 154, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of consolidated financial statements that give a true and fair view 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 the Group's affairs as at 31 March 2012 and of its 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
27 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

Amounts expressed in millions of Hong Kong dollars except for earnings per share data

	NOTES	2012	2011
Turnover	7	**28,137**	24,339
Cost of sales		**(22,181)**	(19,676)
Gross profit		**5,956**	4,663
Other income	9	**485**	390
Other gains and losses	10	**(41)**	101
Selling and distribution expenses		**(3,771)**	(2,854)
General and administrative expenses		**(906)**	(696)
Finance costs	11	**(177)**	(139)
Share of results of jointly controlled entities		**30**	29
Profit before taxation		**1,576**	1,494
Income tax expense	12	**(308)**	(213)
Profit for the year	13	**1,268**	1,281
Other comprehensive income (expense)			
Exchange differences arising on translation		**289**	254
Fair value (loss) gain on available-for-sale financial assets		**(181)**	7
Reclassification adjustment upon impairment of available-for-sale financial assets		**170**	–
Fair value loss on cash flow hedges	30(4)	**(6)**	(19)
Loss on cash flow hedges reclassified to profit and loss	30(4)	**5**	–
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(12)**	(13)
Other comprehensive income for the year		**265**	229
Total comprehensive income for the year		**1,533**	1,510
Profit for the year attributable to:			
Owners of the Company		**1,252**	1,174
Non-controlling interests		**16**	107
		1,268	1,281
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,499**	1,390
Non-controlling interests		**34**	120
		1,533	1,510
Earnings per share (expressed in HK cents)			
Basic	17	**47.52**	45.90
Diluted	17	**46.28**	44.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	NOTES	2012 HK$ million	2011 HK$ million
Non-current Assets			
Property, plant and equipment	18	**2,328**	1,709
Investment properties	19	**11**	77
Prepaid lease payments on land use rights	20	**416**	294
Interests in associates	21	**6**	–
Interests in jointly controlled entities	22	**218**	195
Other receivable	23	**102**	96
Available-for-sale investments	24	**143**	197
Prepayment		**–**	4
Deferred tax assets	25	**60**	60
		3,284	2,632
Current Assets			
Inventories	26	**3,151**	2,657
Stock of properties	27	**40**	4
Prepaid lease payments on land use rights	20	**10**	7
Trade and other receivables, deposits and prepayments	28	**3,512**	2,954
Bills receivable	29	**9,118**	7,251
Derivative financial instruments	30	**3**	6
Amounts due from jointly controlled entities	31	**52**	32
Amounts due from non-controlling shareholders of a subsidiary	31	**19**	–
Held for trading investments	32	**3**	14
Tax recoverable		**14**	–
Structured bank deposits	33	**224**	36
Pledged bank deposits	34	**630**	558
Bank balances and cash	34	**2,164**	2,524
		18,940	16,043
Current Liabilities			
Trade and other payables	35	**7,107**	5,162
Bills payable	36	**941**	917
Obligations arising from put options written to non-controlling interests	37	**160**	125
Derivative financial instruments	30	**20**	19
Provision for warranty	38	**101**	49
Amounts due to jointly controlled entities	39	**4**	5
Tax liabilities		**198**	154
Bank borrowings	40	**3,568**	3,577
Deferred income	41	**22**	23
		12,121	10,031
Net Current Assets		**6,819**	6,012
Total Assets less Current Liabilities		**10,103**	8,644

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	NOTES	2012 HK$ million	2011 HK$ million
Non-current Liabilities			
Obligations arising from put options written to non-controlling interests	37	**202**	183
Provision for warranty	38	**32**	44
Bank borrowings	40	**715**	778
Deferred income	41	**314**	263
Deferred tax liabilities	25	**172**	127
		1,435	1,395
NET ASSETS		**8,668**	7,249
Capital and Reserves			
Share capital	42	**269**	259
Share premium		**2,085**	1,863
Share option reserve		**144**	97
Investment revaluation reserve		**–**	11
Surplus account		**38**	38
Capital reserve		**400**	319
Exchange reserve		**998**	739
Hedging reserve		**(20)**	(19)
Accumulated profits		**4,555**	3,767
Equity attributable to owners of the Company		**8,469**	7,074
Non-controlling interests		**199**	175
		8,668	7,249

The consolidated financial statements on pages 62 to 154 were approved and authorised for issue by the board of directors on 27 June 2012.

Zhang Xuebin
DIRECTOR

Leung Chi Ching, Frederick
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

Amounts expressed in millions of Hong Kong dollars

	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	Hedging reserve	Accumulated profits	Total	Non-controlling interests	Total
Balance at 1 April 2010	253	1,665	91	4	38	277	511	–	2,934	5,773	81	5,854
Profit for the year	–	–	–	–	–	–	–	–	1,174	1,174	107	1,281
Exchange differences arising on translation	–	–	–	–	–	–	241	–	–	241	13	254
Fair value gain on available-for-sale financial assets	–	–	–	7	–	–	–	–	–	7	–	7
Fair value loss on cash flow hedges	–	–	–	–	–	–	–	(19)	–	(19)	–	(19)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(13)	–	–	(13)	–	(13)
Total comprehensive income (expense) for the year	–	–	–	7	–	–	228	(19)	1,174	1,390	120	1,510
Recognition of equity-settled share-based payments	–	–	11	–	–	–	–	–	–	11	–	11
Transfer to capital reserve	–	–	–	–	–	42	–	–	(42)	–	–	–
Issue of shares under share option schemes	2	20	(5)	–	–	–	–	–	–	17	–	17
Issue of shares under scrip dividend scheme	4	178	–	–	–	–	–	–	–	182	–	182
Dividend recognised as distribution *(note 16)*	–	–	–	–	–	–	–	–	(332)	(332)	–	(332)
Adjustment arising from obligations from put options written to non-controlling interests *(note 37)*	–	–	–	–	–	–	–	–	–	–	(40)	(40)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	11	11
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of the subsidiaries	–	–	–	–	–	–	–	–	33	33	3	36
Balance at 31 March 2011	259	1,863	97	11	38	319	739	(19)	3,767	7,074	175	7,249
Profit for the year	–	–	–	–	–	–	–	–	1,252	1,252	16	1,268
Exchange differences arising on translation	–	–	–	–	–	–	271	–	–	271	18	289
Fair value loss on available-for-sale financial assets	–	–	–	(181)	–	–	–	–	–	(181)	–	(181)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	170	–	–	–	–	–	170	–	170
Fair value loss on cash flow hedges	–	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Loss on cash flow hedges reclassified to profit and loss	–	–	–	–	–	–	–	5	–	5	–	5
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(12)	–	–	(12)	–	(12)
Total comprehensive (expense) income for the year	–	–	–	(11)	–	–	259	(1)	1,252	1,499	34	1,533

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

Amounts expressed in millions of Hong Kong dollars

	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	Hedging reserve	Accumulated profits	Total	Non-controlling interests	Total
Recognition of equity-settled share-based payments	–	–	53	–	–	–	–	–	–	53	–	53
Transfer to capital reserve	–	–	–	–	–	81	–	–	(81)	–	–	–
Issue of shares under share option schemes	3	26	(6)	–	–	–	–	–	–	23	–	23
Issue of shares under scrip dividend scheme	7	196	–	–	–	–	–	–	–	203	–	203
Dividend recognised as distribution (*note 16*)	–	–	–	–	–	–	–	–	(381)	(381)	–	(381)
Adjustment arising from obligations from put options written to non-controlling interests (*note 37*)	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	7	7
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(11)	(11)
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of the subsidiaries	–	–	–	–	–	–	–	–	(2)	(2)	25	23
Balance at 31 March 2012	269	2,085	144	–	38	400	998	(20)	4,555	8,469	199	8,668

Notes:

(a) Surplus account as at 31 March 2012 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, a subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000.

(b) Capital reserve as at 31 March 2012 represented The People's Republic of China (the "PRC") statutory reserves. 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 profit after taxation to statutory reserves (i.e. capital reserve) as reserve funds until the aggregated amount has reached 50% of their registered capital. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$ million	2011 HK$ million
OPERATING ACTIVITIES		
Profit before taxation	**1,576**	1,494
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	**9**	7
Depreciation of investment properties	**–**	7
Depreciation of property, plant and equipment	**228**	252
Dividend income	**(22)**	(15)
Finance costs	**177**	139
Impairment loss on trade receivables	**28**	25
Impairment loss recognised in respect of available-for-sale financial assets	**170**	1
Imputed interest income from trade receivables	**(3)**	(1)
Imputed interest income from other receivable	**(6)**	(6)
Interest income from bank deposits	**(58)**	(38)
Loss from changes in fair value of financial assets classified as held for trading	**11**	1
Loss (gain) from changes in fair value of derivative financial instruments	**23**	(8)
Loss on cash flow hedges included in profit and loss	**5**	–
Loss on disposal of property, plant and equipment	**6**	2
Share-based payment expenses	**62**	42
Share of results of jointly controlled entities	**(30)**	(29)
Write-down (write-back) of inventories	**7**	(27)
Operating cash flows before movements in working capital	**2,183**	1,846
(Increase) decrease in inventories	**(456)**	770
Increase in trade and other receivables, deposits and prepayments	**(488)**	(649)
Increase in bills receivable	**(1,631)**	(68)
Settlement of derivative financial instruments	**(18)**	11
Increase in amounts due from jointly controlled entities	**(19)**	(2)
Increase (decrease) in trade and other payables	**1,763**	(177)
Increase in bills payable	**24**	331
(Decrease) increase in amount due to a jointly controlled entity	**(1)**	4
Decrease in amounts due to non-controlling shareholders of subsidiaries	**–**	(1)
Increase in provision for warranty	**36**	18
Increase in deferred income	**50**	31
Cash generated from operations	**1,443**	2,114
PRC income tax paid	**(244)**	(242)
NET CASH FROM OPERATING ACTIVITIES	**1,199**	1,872

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$ million	2011 HK$ million
INVESTING ACTIVITIES		
Dividend received	**39**	13
Interest received	**54**	76
Purchase of property, plant and equipment	**(720)**	(475)
Proceeds on disposal of property, plant and equipment	**11**	10
Prepaid lease payments on land use rights	**(119)**	(58)
Investments in associates	**(6)**	–
Investments in jointly controlled entities	**–**	(20)
Investments in available-for-sale investments	**(127)**	(146)
Placement of pledged bank deposits	**(745)**	–
Withdrawal of pledged bank deposits	**673**	1,836
Placement of structured bank deposits	**(224)**	(36)
Withdrawal of structured bank deposits	**36**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,128)**	1,200
FINANCING ACTIVITIES		
Dividends paid	**(199)**	(163)
Interest paid	**(143)**	(150)
Issue of shares	**23**	17
Contributions from non-controlling interests	**7**	11
New bank borrowings raised	**7,924**	7,103
Repayment of bank borrowings	**(7,786)**	(6,901)
Funds arising from discounted bills with recourse	**719**	2,762
Repayment of discounted bills with recourse	**(1,065)**	(5,529)
Cash paid on settlement of cross-currency interest rate swap	**(5)**	–
Proceeds on disposal of partial interests in subsidiaries without losing control	**4**	13
NET CASH USED IN FINANCING ACTIVITIES	**(521)**	(2,837)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(450)**	235
CASH AND CASH EQUIVALENTS AT 1 APRIL	**2,524**	2,191
Effect of foreign exchange rate changes	**90**	98
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	**2,164**	2,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 ("RMB"). 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. Details of the principal activities of the principal subsidiaries, associates and jointly controlled entities are set out in notes 52, 21 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair value measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilites[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's available-for-sale investments. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax expense on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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 on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 in 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 (effective from 1 April 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress are classified to the appropriate categories 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

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

Investment properties are initially 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.

A transfer of an item from investment properties to property, plant and equipment will be made where there is a change in use as, evidenced by commencement of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets *(continued)*

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 gain immediately.

Prepaid lease payments on land use rights

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments on land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Interests in an associates

An associate is an entity over which the Group 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 associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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 its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Stock of properties

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure and other directly attributable expenses. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

- 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 and is included in the other gains and losses in the statement of comprehensive income.

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 jointly controlled entities and non-controlling shareholders of a subsidiary, structured bank deposits, 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 of financial assets below).

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 of 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 considered to be 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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 financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, and bills receivable, 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, other receivable or bills 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed through profit or loss. 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 instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL represents financial liabilities held for trading.

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, obligations arising from put options written to non-controlling interests, amounts due to jointly controlled entities, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments and hedging

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.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flows hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item.

Obligations 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of financial asset in its entirety, 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 and accumulated in equity is recognised in profit and loss.

The Group derecognises a financial liability when, and only when, the Group's obligation is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and a reliable estimate can be made of the amount of 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 of the time value of money is material).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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.

Leasing

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 lease term. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 activities (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.

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. 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.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 retranslation 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 Company and the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) 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 under the heading of the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

Income tax expense 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.

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes, the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme, are recognised 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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.

Where ordinary shares of the Company'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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Where goods are sold on instalment payment 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.

Service income is recognised when services are provided.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties has been completed at which the relevant completion certificates are issued by the respective government authorities and the properties have been delivered to the purchasers. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position as sales deposits received under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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.

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

Allowance for inventories

Inventories are stated at the lower of cost and net realisable value. For the year ended 31 March 2012, allowance of HK$7 million (2011: HK$27 million is written back) is made to write down the cost of inventories to their net realisable values.

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 2012, impairment loss of HK$28 million (2011: HK$25 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.

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 2012, provision for warranty of HK$136 million (2011: HK$154 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.

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 bank borrowings disclosed in note 40, 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$ million	2011 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	15,002	12,659
Held for trading investments	3	14
Available-for-sale financial assets	143	197
Derivative financial instruments	3	6
Financial liabilities		
Liabilities at amortised cost	11,250	9,700
Derivative financial instruments	20	19

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, other receivables, available-for-sale investments, trade and other receivables, bills receivable, amounts due from jointly controlled entities and non-controlling shareholders of a subsidiary, held for trading investments, structured bank deposits, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, obligations arising from put options written to non-controlling interests, amounts due to jointly controlled entities, and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. 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 88% (2011: 91%) of the Group's total turnover. All of these sales are conducted in China. The Group needs to convert revenue in RMB into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although RMB 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 ("US$"). 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.

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

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$ million	HK$ million	**HK$ million**	HK$ million
US$	**740**	415	**4,702**	3,204
HK$	**7**	301	**11**	2

Certain foreign currency forward contracts as disclosed in note 30 (Note 1) are entered into by the Group. In addition, a cross-currency interest rate swap contract as disclosed in note 30 (Note 4) is entered into by the Group to hedge cash flow interest and foreign currency exposure arising from US$ bank borrowing, which is considered to be highly effective. In the opinion of the directors of the Company, the net foreign currency exposure arising from these contracts and the US$ denominated bank borrowings is considered insignificant.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

Currency risk sensitivity analysis

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

	2012 **HK$ million**	2011 HK$ million
Pre-tax result for the year		
US$ against RMB	**168**	137
HK$ against RMB	**–**	(15)

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.

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 40 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 40 for details of the borrowings).

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Interest rate risk (continued)

The management considered that the exposure to cash flow interest rate risk in relation to pledged bank deposits and bank balances is mininal, accordingly, no sensitivity analysis is presented for both years.

The Group's cash flow interest rate risk is mainly related to the fluctuation of People's Bank of China ("PBOC") lending rate and London Interbank Offered Rate ("LIBOR") against the Group's borrowings.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for 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 basis points higher/lower and all other variables were held constant, the profit for the year would decrease/increase by approximately HK$19 million (2011: HK$16 million).

Price risk

The Group is exposed to equity price risk through its investments in listed equity securities and structured bank deposits (as disclose in note 33). The Group's equity price risk is mainly concentrated on equity investments operating in consumer products industry sector quoted in the Stock Exchange. In addition, the Group has appointed a board member 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 end of the reporting period.

The management considered that the exposure to price risk in relation to structured bank deposits is minimal, accordingly, no sensitivity analysis is presented for both years on its structured bank deposits.

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

- post-tax profit for the year ended 31 March 2012 would increase/decrease by nil (2011: HK$1 million) as a result of the changes in fair value of held for trading investments; and

- investment valuation reserve would increase/decrease by HK$9 million/nil (2011: HK$15 million/HK$8 million) and post-tax result for the year would increase/decrease by nil/HK$9 million (2011: nil/HK$7 million) for the Group as a result of the changes in fair value of available-for-sale investments including those which have been impaired.

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the 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, and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 49. 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's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 95% (2011: 97%) of the total trade receivable at the end of the reporting period.

Other than concentration of credit risk on other receivables with carrying amount of HK$102 million (2011: HK$96 million) as disclosed in note 23 for which the Group considers the counterparty has sufficient funds to repay, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers, and industries.

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 2012, the Group has available unutilised bank borrowing facilities of approximately HK$23,655 million (2011: HK$17,042 million).

The following table details the Group's remaining contractual maturity for its 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 maturity dates for other non-derivatives financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rate at the end of the reporting period. The financial guarantee contracts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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 31.3.2012 HK$ million
2012							
Non-derivative financial liabilities							
Trade and other payables	–	4,191	1,027	442	–	5,660	5,660
Bills payable	–	250	362	329	–	941	941
Obligations arising from put options written to non-controlling interests *(note 37 (Note a))*	–	160	–	–	–	160	160
Obligations arising from put options written to non-controlling interests *(note 37 (Note b))*	10.00	–	–	–	247	247	202
Amounts due to jointly controlled entities	–	4	–	–	–	4	4
Bank borrowings – variable rate	3.12	188	547	2,126	738	3,599	3,530
Bank borrowings – fixed rate	4.56	384	–	380	–	764	753
Financial guarantee contracts *(note 49)*	–	–	25	–	–	25	–
		5,177	1,961	3,277	985	11,400	11,250
Derivatives settled, net							
Foreign currency forward contracts, net	–	–	–	(3)	–	(3)	(3)
Cross-currency interest rate swap	–	–	–	–	20	20	20
		–	–	(3)	20	17	17

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 31.3.2011 HK$ million
2011							
Non-derivative financial liabilities							
Trade and other payables	–	2,848	956	311	–	4,115	4,115
Bills payable	–	200	460	257	–	917	917
Obligations arising from put options written to non-controlling interests *(note 37 (Note a))*	–	125	–	–	–	125	125
Obligations arising from put options written to non-controlling interests *(note 37 (Note b))*	10.00	–	–	–	217	217	183
Amounts due to jointly controlled entities	–	5	–	–	–	5	5
Bank borrowings – variable rate	2.99	123	267	2,077	806	3,273	3,195
Bank borrowings – fixed rate	4.61	578	468	123	–	1,169	1,160
		3,879	2,151	2,768	1,023	9,821	9,700
Derivatives settled, net							
Foreign currency forward contracts, net	–	–	–	(6)	–	(6)	(6)
Cross-currency interest rate swap	–	–	–	–	19	19	19
		–	–	(6)	19	13	13

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2012, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$362 million (2011: HK$467 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within two years (2011: within three years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$374 million (2011: HK$492 million).

	Maturity Analysis – borrowing subject to a repayment on demand clause based on scheduled repayments						
	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 HK$ million
31 March 2012	**2.99**	**–**	**54**	**162**	**158**	**374**	**362**
31 March 2011	2.99	–	3	115	374	492	467

6. FINANCIAL INSTRUMENTS *(continued)*

(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 30) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- 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.

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 their fair values:

	2012		2011	
	Carrying amount HK$ million	**Fair value HK$ million**	Carrying amount HK$ million	Fair value HK$ million
Other receivable	**102**	**105**	96	97

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

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); and
- 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).

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
2012				
Available-for-sale financial assets				
Listed equity securities	**90**	**–**	**–**	**90**
Held for trading investments				
Listed equity securities	**3**	**–**	**–**	**3**
Derivative financial instruments				
Foreign currency forward contracts	**–**	**3**	**–**	**3**
Cross-currency interest rate swap	**–**	**(20)**	**–**	**(20)**
	–	**(17)**	**–**	**(17)**
2011				
Available-for-sale financial assets				
Listed equity securities	152	–	–	152
Held for trading investments				
Listed equity securities	14	–	–	14
Derivative financial instruments				
Foreign currency forward contracts	–	6	–	6
Cross-currency interest rate swap	–	(19)	–	(19)
	–	(13)	–	(13)

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:

	2012 **HK$ million**	2011 HK$ million
Sales of TV products	**23,648**	20,163
Sales of digital set-top boxes	**3,365**	3,696
Sales of LCD modules	**285**	111
Sales of other electronic products	**757**	294
Property rental income	**82**	75
	28,137	24,339

8. SEGMENT INFORMATION

The Group is organised into certain operating business units according to the nature of the goods sold or services. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (the executive directors of the Company).

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segment* are as follows:

1. TV products (PRC market) – design, manufacture and sale of televisions for the PRC (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region) market
2. TV products (overseas market) – design, manufacture and sale of televisions for the overseas market
3. Digital set-top boxes – design, manufacture and sale of digital set-top boxes
4. LCD modules – design, manufacture and sale of liquid crystal display ("LCD") modules
5. Other electronic products – design, manufacture and sale of other products, mainly relating to electronics
6. Property holding – leasing of property

Segment information about these businesses is presented below.

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2012

	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								
Segment revenue from external customers	**21,920**	**1,728**	**3,365**	**285**	**757**	**82**	**–**	**28,137**
Inter-segment revenue	**370**	**3**	**–**	**620**	**327**	**–**	**(1,320)**	**–**
Total segment revenue	**22,290**	**1,731**	**3,365**	**905**	**1,084**	**82**	**(1,320)**	**28,137**
Results								
Segment results	**1,510**	**(11)**	**347**	**123**	**(3)**	**57**	**–**	**2,023**
Interest income								**67**
Unallocated corporate expenses less income								**(367)**
Finance costs								**(177)**
Share of results of jointly controlled entities								**30**
Consolidated profit before taxation of the Group								**1,576**

For the year ended 31 March 2011

	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								
Segment revenue from external customers	19,069	1,094	3,696	111	294	75	–	24,339
Inter-segment revenue	215	49	–	707	105	–	(1,076)	–
Total segment revenue	19,284	1,143	3,696	818	399	75	(1,076)	24,339
Results								
Segment results	1,291	23	371	7	(13)	45	–	1,724
Interest income								45
Unallocated corporate expenses less income								(165)
Finance costs								(139)
Share of results of jointly controlled entities								29
Consolidated profit before taxation of the Group								1,494

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 interest income, corporate expenses less income, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

As at 31 March 2012

	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	13,526	233	2,559	283	810	150	–	17,561
Interests in associates								6
Interests in joint controlled entities								218
Unallocated corporate assets								4,439
Total consolidated assets								22,224
Liabilities								
Segment liabilities	5,730	83	1,544	193	503	52	–	8,105
Unallocated corporate liabilities								5,451
Total consolidated liabilities								13,556

As at 31 March 2011

	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	10,775	307	2,359	190	374	82	–	14,087
Interests in joint controlled entities								195
Unallocated corporate assets								4,393
Total consolidated assets								18,675
Liabilities								
Segment liabilities	3,853	317	1,609	171	175	41	–	6,166
Unallocated corporate liabilities								5,260
Total consolidated liabilities								11,426

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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

- all assets are allocated to reportable segments other than interests in jointly controlled entities and associates, available-for-sale investments, deferred tax assets, derivative financial instruments, amounts due from non-controlling shareholders of a subsidiary, held for trading investments, tax recoverable, structured bank deposits, pledged bank deposits, bank balances and cash, and other unallocated corporate assets; and

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

Other segment information

For the year ended 31 March 2012

	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
Included in measure of segment results or segment assets:								
Capital expenditure on								
– Property, plant and equipment	419	3	45	114	95	44	–	720
– Prepaid lease payments for land	31	–	8	–	–	80	–	119
Depreciation of								
– Property, plant and equipment	150	13	26	16	14	9	–	228
Impairment loss on trade receivables	3	2	22	–	1	–	–	28
Release of prepaid lease payments on land use rights	5	–	1	–	–	3	–	9
Write-down (write-back) of inventories	10	(11)	4	(1)	5	–	–	7

8. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

For the year ended 31 March 2011

	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
Included in measure of segment results or segment assets:								
Capital expenditure on								
– Property, plant and equipment	201	4	43	12	84	131	–	475
– Prepaid lease payments for land	58	–	–	–	–	–	–	58
Depreciation of								
– Property, plant and equipment	183	17	17	7	19	9	–	252
– Investment properties	–	–	–	–	–	7	–	7
Impairment loss on trade receivables	3	1	20	–	1	–	–	25
Release of prepaid lease payments on land use rights	4	–	2	–	–	1	–	7
(Write-back) write-down of inventories	(18)	(19)	9	2	(1)	–	–	(27)

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 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)	
	2012	2011	**2012**	2011
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**24,790**	22,180	**2,723**	2,074
Asia region (other than PRC)	**1,221**	663	**29**	3
Europe	**808**	588	**–**	1
Other regions	**1,318**	908	**3**	6
	28,137	24,339	**2,755**	2,084

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

9. OTHER INCOME

	2012	2011
	HK$ million	HK$ million
Other income comprises:		
Dividend income		
– listed investments	**4**	2
– unlisted investments	**18**	13
Government grants *(note 41)*	**92**	99
Imputed interest income from		
– trade receivables	**3**	1
– other receivable	**6**	6
Interest income from bank deposits	**58**	38
Refund of value-added-tax ("VAT") *(Note)*	**160**	130
Others	**144**	101
	485	390

Note: Pursuant to the State Taxation Bureau of Guangdong Province, [2008] No. 211, VAT levied over 3% of the proceeds from sale of approved software products in Guangdong Province would be refunded to the Group and recognised as other income.

10. OTHER GAINS AND LOSSES

	2012 HK$ million	2011 HK$ million
Other gains and losses comprise:		
Exchange gains, net	**169**	97
Impairment loss recognised in respect of available-for-sale investments (*note 24*)	**(170)**	(1)
Loss from changes in fair value of financial assets classified as held for trading	**(11)**	(1)
(Loss) gain from changes in fair value of derivative financial instruments (*note 30*)	**(23)**	8
Loss on disposal of property, plant and equipment	**(6)**	(2)
	(41)	101

11. FINANCE COSTS

	2012 HK$ million	2011 HK$ million
Finance costs comprise:		
Interest on bank borrowings wholly repayable within five years	**156**	121
Imputed interest expenses on obligations arising from put options written to non-controlling interests (*note 37*)	**21**	18
	177	139

12. INCOME TAX EXPENSE

	2012 HK$ million	2011 HK$ million
Income tax expense comprise:		
PRC income tax		
Current year	**294**	255
Overprovision in prior years	**(20)**	(35)
	274	220
Deferred taxation (*note 25*)	**34**	(7)
	308	213

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 years presented.

12. INCOME TAX EXPENSE *(continued)*

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

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 rates 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 plus 3 tax holiday" (two years' exemption followed by three years of half deduction) granted to them under the tax law and implementation rules. Such holidays and concessions are expired on 31 December 2011.

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 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$35 million (2011: HK$25 million) in respect of the additional undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the year. HK$3 million of the previously provided deferred tax had been reversed and charged as current tax upon distributions by its subsidiaries during the year ended 31 March 2011.

Details of deferred taxation are set out in note 25.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 **HK$ million**	2011 HK$ million
Profit before taxation	**1,576**	1,494
Tax at applicable tax rate at 15% *(Note)*	**236**	224
Tax effect of expenses not deductible for tax purpose	**83**	12
Tax effect of income not taxable for tax purpose	**(53)**	(25)
Overprovision in prior years	**(20)**	(35)
Tax effect of tax losses not recognised	**32**	34
Utilisation of tax losses previously not recognised	**(21)**	(8)
Tax effect of share of results of jointly controlled entities	**(5)**	(2)
Effect of tax exemptions granted by the PRC tax authorities	**–**	(64)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**20**	48
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	**35**	25
Others	**1**	4
Income tax expense for the year	**308**	213

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

13. PROFIT FOR THE YEAR

	2012 **HK$ million**	2011 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Auditors' remunerations	**8**	7
Cost of inventories recognised as an expense including write-down of inventories of HK$7 million (2011: write-back of inventories of HK$27 million)	**22,153**	19,634
Depreciation of		
– Property, plant and equipment	**228**	252
– Investment properties	**–**	7
Impairment loss on trade receivables	**28**	25
Operating lease rentals in respect of land and buildings	**59**	41
Release of prepaid lease payments on land use rights	**9**	7
Rental income from leasing of properties less related outgoings of HK$28 million (2011: HK$42 million)	**(54)**	(33)
Research and development costs recognised as an expense (including staff costs of HK$126 million (2011: HK$88 million))	**185**	125
Share of income tax expense of jointly controlled entities	**4**	6
Staff costs:		
– Directors' emoluments *(note 14)*	**62**	59
– Research and development related staff costs	**126**	88
– Salaries, bonus, retirement benefits and others of other staff	**1,961**	1,364
	2,149	1,511

14. DIRECTORS' EMOLUMENTS

	2012 **HK$'000**	2011 HK$'000
Directors' fees	**1,536**	1,341
Other emoluments		
Basic salaries and allowances	**10,657**	9,192
Retirement benefits scheme contributions	**223**	69
Performance related incentive payments *(Note)*	**41,858**	44,302
Share-based payments	**8,024**	4,005
	62,298	58,909

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 2012 and 31 March 2011.

14. DIRECTORS' EMOLUMENTS *(continued)*

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
2012						
Executive directors:						
Zhang Xuebin	–	2,436	43	22,376	43	24,898
Ding Kai (passed away on 11 February 2012)	–	790	–	–	27	817
Leung Chi Ching, Frederick	–	1,600	12	4,940	27	6,579
Lin Wei Ping	–	1,600	66	–	19	1,685
Yang Dongwen	–	1,948	53	11,866	2,603	16,470
Lu Rongchang	–	1,729	–	2,676	2,439	6,844
Shi Chi (appointed on 15 July 2011)	–	554	49	–	2,862	3,465
	–	10,657	223	41,858	8,020	60,758
Independent non-executive directors:						
So Hon Cheung, Stephen	528	–	–	–	2	530
Li Weibin	528	–	–	–	2	530
Chan Wai Kay, Katherine	480	–	–	–	–	480
	1,536	–	–	–	4	1,540
Total directors' emoluments	1,536	10,657	223	41,858	8,024	62,298

14. 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
2011						
Executive directors:						
Zhang Xuebin	–	2,323	–	25,059	264	27,646
Ding Kai	–	1,600	–	–	161	1,761
Leung Chi Ching, Frederick	–	1,600	12	5,405	161	7,178
Lin Wei Ping	–	840	36	–	72	948
Yang Dongwen	–	1,859	21	11,280	211	13,371
Lu Rongchang	–	970	–	2,558	3,116	6,644
	–	9,192	69	44,302	3,985	57,548
Independent non-executive directors:						
So Hon Cheung, Stephen	504	–	–	–	10	514
Li Weibin	504	–	–	–	10	514
Chan Wai Kay, Katherine	333	–	–	–	–	333
	1,341	–	–	–	20	1,361
Total directors' emoluments	1,341	9,192	69	44,302	4,005	58,909

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors of the Company, whose emoluments are included in note 14 above. The emoluments of the remaining individual for each of the two years ended 31 March 2012 are as follows:

	2012 HK$ million	2011 HK$ million
Basic salaries, allowances and benefits in kind	**1**	1
Retirement benefit scheme contributions	**–**	–
Performance related incentive payments *(Note)*	**5**	4
Share-based payments	**2**	–
	8	5

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

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 2012.

16. DIVIDENDS

		2012 HK$ million	2011 HK$ million
(a)	Dividends recognised as distribution during the year:		
	2011 Final – HK9.0 cents (2011: 2010 final dividend HK8.0 cents) per share	**235**	202
	2012 Interim – HK5.5 cents (2011: 2011 interim dividend HK5.0 cents) per share	**146**	130
		381	332
(b)	Dividends attributable to the year:		
	Interim dividend declared and paid of HK5.5 cents (2011: HK5.0 cents) per share	**146**	130
	Final dividend proposed after the end of the reporting period of HK10.0 cents (2011: HK9.0 cents) per share	**269**	235
		415	365

The final dividend of HK10.0 cents per share for the year ended 31 March 2012 is proposed by the directors of the Company on 27 June 2012. 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 2012.

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

	2012 HK$ million	2011 HK$ million
2011 Final dividend (2011: 2010 Final dividend):		
Cash	**121**	87
Scrip dividends	**114**	115
	235	202
2012 Interim dividend (2011: 2011 Interim dividend):		
Cash	**57**	63
Scrip dividends	**89**	67
	146	130
	381	332

17. EARNINGS PER SHARE

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

	2012	2011
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**1,252**	1,174
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,634,660,134**	2,557,514,563
Effect of dilutive potential ordinary shares in respect of share options outstanding	**70,513,371**	99,670,345
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,705,173,505**	2,657,184,908

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both 2012 and 2011.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Plant and machinery	Furniture, equipment and motor vehicles	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
COST					
At 1 April 2010	1,224	28	1,013	303	2,568
Additions	–	254	106	115	475
Disposals	(2)	–	(55)	(134)	(191)
Transferred from investment properties	41	–	–	–	41
Reclassification	2	(18)	16	–	–
Exchange realignment	50	6	39	12	107
At 31 March 2011	1,315	270	1,119	296	3,000
Additions	158	182	221	159	720
Disposals	(7)	–	(87)	(73)	(167)
Transferred from investment properties	73	–	–	–	73
Reclassification	61	(66)	5	–	–
Exchange realignment	54	11	33	20	118
At 31 March 2012	1,654	397	1,291	402	3,744
DEPRECIATION					
At 1 April 2010	278	–	712	179	1,169
Provided for the year	58	–	84	110	252
Eliminated on disposals	–	–	(47)	(132)	(179)
Transferred from investment properties	4	–	–	–	4
Exchange realignment	12	–	26	7	45
At 31 March 2011	352	–	775	164	1,291
Provided for the year	65	–	65	98	228
Eliminated on disposals	(2)	–	(77)	(71)	(150)
Transferred from investment properties	5	–	–	–	5
Reclassification	(1)	–	1	–	–
Exchange realignment	14	–	19	9	42
At 31 March 2012	433	–	783	200	1,416
CARRYING VALUES					
At 31 March 2012	1,221	397	508	202	2,328
At 31 March 2011	963	270	344	132	1,709

18. 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% to 50%
Furniture, equipment and motor vehicles	20% to 50%

Included in leasehold land and buildings of the Group are certain properties with carrying value of approximately HK$101 million (2011: HK$100 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:

	2012 **HK$ million**	2011 HK$ million
Leasehold land and buildings:		
In the PRC held under		
– long term leases	**26**	30
– medium-term leases	**403**	178
	429	208
In Hong Kong held under long term leases	**17**	17
	446	225
Buildings:		
In the PRC held under medium-term leases	**775**	738
	1,221	963
Construction in progress:		
In the PRC held under medium-term leases	**397**	270
	1,618	1,233

19. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2010	129
Transferred to property, plant and equipment *(Note (1))*	(41)
Reclassified to prepaid lease payments on land use rights	(8)
Exchange realignment	4
At 31 March 2011	84
Transferred to property, plant and equipment *(Note (1))*	(73)
Exchange realignment	2
At 31 March 2012	13
DEPRECIATION	
At 1 April 2010	4
Provided for the year	7
Transferred to property, plant and equipment *(Note (1))*	(4)
At 31 March 2011	7
Transferred to property, plant and equipment *(Note (1))*	(5)
At 31 March 2012	2
CARRYING VALUES	
At 31 March 2012	11
At 31 March 2011	77

Notes:

(1) During the year ended 31 March 2012, certain properties with an aggregate carrying amount of approximately HK$68 million (2011: HK$37 million) were transferred to property, plant and equipment upon commencement of owner-occupation by the Group after the end of operating leases to outsiders.

(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$20 million at 31 March 2011 were classified as prepaid lease payments on land use rights and carried at cost and released to profit or loss over the lease term on a straight-line basis. No investment property is located in the PRC at 31 March 2012.

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

19. INVESTMENT PROPERTIES *(continued)*

The fair value of the Group's investment properties at 31 March 2012 was approximately HK$48 million (2011: HK$116 million). The fair value has been arrived at based on a valuation carried out by Greater China Appraisal Limited, an independent valuer 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 carrying value of investment properties shown above comprises:

	2012 **HK$ million**	2011 HK$ million
Buildings on leasehold land in the PRC held under medium-term leases	**–**	66
Leasehold land and buildings in Hong Kong held under long term leases	**11**	11
	11	77

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2012 **HK$ million**	2011 HK$ million
Balance at 1 April	**301**	235
Additions	**119**	58
Released during the year	**(9)**	(7)
Reclassified from investment properties	**–**	8
Transferred to stock of properties	**–**	(4)
Exchange realignment	**15**	11
Balance at 31 March	**426**	301
Analysed for reporting purposes as:		
Non-current assets	**416**	294
Current assets	**10**	7
	426	301

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

21. INTERESTS IN ASSOCIATES

	2012 HK$ million	2011 HK$ million
Cost of unlisted investments	**6**	–

The following set out the associate of the Group as at 31 March 2012 and 2011 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of all associates would, in the opinion of the directors, results 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 2012	 2011	Principal business
深圳市锦富光电有限公司	Equity joint venture	PRC	RMB15,000,000	**35%**	–	Manufacture and sale of optical products and carry out research and products development

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

	2012 HK$ million	2011 HK$ million
Non-current assets	**6**	–
Current assets	**25**	–
Current liabilities	**(14)**	–
	17	–
Group's share of net assets of associates	**6**	–
Revenue	**11**	–
Loss for the year	**(1)**	–
Group's share of loss for the year	**–**	–

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 HK$ million	2011 HK$ million
Cost of unlisted investments	**181**	177
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	**37**	18
	218	195

The following sets out the jointly controlled entity of the Group as at 31 March 2012 and 31 March 2011 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 2012	Effective interest held by the Group 2011	Principal business
深圳市创维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 has 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:

	2012 HK$ million	2011 HK$ million
Share of assets and liabilities attributable to the Group		
Non-current assets	**118**	115
Current assets	**229**	182
Current liabilities	**(140)**	(99)
Non-current liabilities	**(1)**	(15)
	206	183
Share of results attributable to the Group		
Total revenue	**308**	232
Total expenses	**(278)**	(203)
	30	29

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

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

	2012	2011
	HK$ million	HK$ million
Unrecognised share of losses of jointly controlled entities for the year	**–**	–
Accumulated unrecognised share of losses of jointly controlled entities	**38**	38

23. 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 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 major shareholder of that unlisted equity securities (the "major shareholder") respectively, which enable the Group to require the major shareholder to purchase/the major 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.

At the end of the reporting period, the consideration paid has not been recognised as an investment of the Group. The major 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. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable was 6.40% per annum.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2012 HK$ million	2011 HK$ million
Unlisted equity securities, at cost		
– in Hong Kong	**8**	–
– in the PRC	**40**	40
– in overseas	**23**	23
Less: Impairment loss recognised	**(18)**	(18)
	53	45
Listed equity securities		
– in Hong Kong, at fair values	**90**	152
	143	197

The unlisted equity securities in the PRC and overseas are not stated at fair value but at cost less any impairment loss because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

During the year, the directors conducted a review of the recoverable amounts of the Group's available-for-sale investments at the end of the reporting period and determined that an impairment loss of HK$170 million (2011: HK$1 million) is required to be made for the year in respect of its listed equity securities in Hong Kong.

25. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	Tax losses HK$ million *(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 2010	5	(1)	(7)	47	19	63
(Credit) charge to profit or loss	(4)	–	(8)	22	(17)	(7)
Charge to other comprehensive income	–	–	–	–	13	13
Exchange realignment	–	–	–	(1)	(1)	(2)
At 31 March 2011	1	(1)	(15)	68	14	67
(Credit) charge to profit or loss	–	–	(2)	35	1	34
Charge to other comprehensive income	–	–	–	–	12	12
Exchange realignment	–	–	(1)	–	–	(1)
At 31 March 2012	1	(1)	(18)	103	27	112

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:

	2012 HK$ million	2011 HK$ million
Deferred tax assets	**(60)**	(60)
Deferred tax liabilities	**172**	127
	112	67

25. DEFERRED TAXATION *(continued)*

Notes:

(1) At the end of the reporting period, the Group has unutilised tax losses of HK$868 million (2011: HK$892 million) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of HK$6 million (2011: HK$5 million). No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$862 million (2011: HK$887 million) due to the unpredictability of future profit streams.

Unutilised tax losses for which no deferred tax assets is recognised will expire as follows:

	2012 HK$ million	2011 HK$ million
2011	**–**	137
2012	**103**	99
2013	**28**	28
2014	**21**	22
2015	**127**	211
2016	**139**	–
Carried forward indefinitely	**444**	390
	862	887

(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$3,054 million (2011: HK$1,762 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, and deductible temporary difference arising from government grants not yet recognised in profit or loss whilst the relevant tax charge had already been paid upon receipt of the government grants.

26. INVENTORIES

	2012 HK$ million	2011 HK$ million
Raw materials	**889**	870
Work in progress	**237**	157
Finished goods	**2,025**	1,630
	3,151	2,657

27. STOCK OF PROPERTIES

	2012 HK$ million	2011 HK$ million
Properties for sales		
– under development	**40**	4

The properties under development are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits received of HK$41 million (2011: nil) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 35.

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales of TV products, LCD modules and other electronic products 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 made with credit terms of 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 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:

	2012 HK$ million	2011 HK$ million
Within 30 days	**1,077**	733
31 to 60 days	**265**	203
61 to 90 days	**224**	235
91 to 365 days	**637**	749
Over 365 days	**302**	131
Trade receivables	**2,505**	2,051
Purchase deposits paid for materials	**231**	312
VAT receivables	**360**	265
Other deposits paid, prepayments and other receivables	**416**	326
	3,512	2,954

Trade receivables which are neither past due nor impaired are considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,001 million (2011: HK$872 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 television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is 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$54 million (2011: HK$41 million) has credit period of over one year. During the year, receivables with principal amount of HK$22 million (2011: HK$35 million) have been recorded at initial recognition at its present value of HK$20 million (2011: HK$31 million). The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is ranging from 5.4% to 6.65% per annum (2011: 5.4% to 6.1% per annum).

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

	2012 **HK$ million**	2011 HK$ million
Overdue:		
Within 30 days	**306**	309
31 to 60 days	**171**	148
61 to 90 days	**87**	70
91 days or over	**437**	345
	1,001	872

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

Allowances 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 end of the reporting period. 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.

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Movement in the allowance for doubtful debts is as follows:

	2012	2011
	HK$ million	HK$ million
Balance at 1 April	**107**	145
Impairment loss recognised on trade receivables	**28**	25
Amounts uncollectible written off	**(46)**	(65)
Exchange realignment	**3**	2
Balance at 31 March	**92**	107

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$92 million (2011: 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.

29. BILLS RECEIVABLE

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

	2012	2011
	HK$ million	HK$ million
Within 30 days	**1,354**	967
31 to 60 days	**1,224**	943
61 to 90 days	**2,152**	1,501
91 days or over	**2,970**	2,841
Bills endorsed to suppliers with recourse	**1,049**	306
Bills discounted to banks with recourse	**369**	693
	9,118	7,251

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 40 and 35 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.

29. BILLS RECEIVABLE *(continued)*

Movement in the allowance for doubtful debts is as follows:

	2012 HK$ million	2011 HK$ million
Balance at 1 April	–	15
Amounts uncollectible written off	–	(15)
Balance at 31 March	–	–

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 HK$ million	2011 HK$ million
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Foreign currency forward contracts *(Note 1)*	3	6
Derivative under hedge accounting:		
Cross-currency interest rate swap *(Note 4)*	(20)	(19)
(Loss) gain from changes in fair value of derivative financial instruments comprise:		
Foreign currency forward contracts *(Note 1)*	(29)	(4)
Performance swap contract *(Note 2)*	1	–
Target redemption forward contracts *(Note 3)*	5	12
	(23)	8

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

	2012 HK$ million	2011 HK$ million
Assets		
Foreign currency forward contracts	3	6
Liabilities		
Cross-currency interest rate swap	(20)	(19)

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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 US$ loans from these banks for settlement in US$ payable to suppliers denominated in US$. At the same time, the Group (a) placed 6 month/one year fixed deposits (amounted to the RMB equivalent of the respective amounts of US$ loans plus interests thereon) to the banks as security against the US$ loans, and (b) entered into forward contracts with the banks to purchase US$ (amounted to the US$ loans plus interests thereon) in RMB at predetermined forward rates.

As at 31 March 2012, US$16 million loans (equivalent to HK$123 million) (2011: US$7 million loans (equivalent to HK$50 million)) and RMB100 million fixed deposits (equivalent to HK$123 million) (2011: RMB43 million fixed deposits (equivalent to HK$52 million)) are included in other bank loans and pledged bank deposits as disclosed in notes 40 and 45 respectively.

The related interest income on the fixed deposits of HK$4 million (2011: HK$18 million) and exchange gain on US$ loans of HK$5 million (2011: gain of HK$15 million) are included in profit or loss, while the interest expenses on US$ loans of HK$5 million (2011: HK$16 million) are included in finance cost.

Other than the arrangements as described in above, the Group also entered into foreign currency forwards contracts with various established commercial banks in Hong Kong to purchase US$ in RMB at predetermined forward rates.

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 2012		
US$15,380,075	**From April 2012 to June 2012**	**Buy US$/sell RMB at 6.4890**
US$9,580,000	**From October 2012 to December 2012**	**Buy US$/sell RMB at 6.3900 to 6.4750**
As at 31 March 2011		
US$31,356,935	From October 2011 to December 2011	Buy US$/sell RMB at 6.4430 to 6.5200
US$64,959,269	From January 2012 to March 2012	Buy US$/sell RMB at 6.4610 to 6.5160

At 31 March 2012, the fair value of the Group's foreign currency forward contracts is estimated to be an asset of HK$3 million (2011: HK$6 million). These amounts are determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the year, the loss from changes in fair value of the foreign currency forward contracts amounting to HK$29 million (2011: HK$4 million) has been recognised in profit or loss.

Note 2: Performance swap contract

During the year, the Group entered into a performance swap contract with a bank, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates and foreign currency exposure in relation to its payables arising from time to time denominated partly in US$.

The performance swap contract consists of an interest rate swap and a target redemption forward contract:

- the interest rate swap with notional amount of US$25,000,000 has interest payments in US$ at LIBOR per annum capped at 1% per annum and floating interest receipts in US$ at 1% plus LIBOR per annum for periods up to March 2012; and

- the target redemption forward contract comprises non-deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates up to June 2013, save for the event leading to the knock-out and termination contract as discussed below.

  At each expiry date:

  (i) if the US$ to RMB spot exchange rate (the "Spot Rate 1") is less than or equal to the strike rates as stipulated in the agreement (the "Strike Rates") ranging from buy US$/sell RMB at 6.300 to 6.550, there would have no settlements.

  The contract would be knocked-out and terminated when there are no settlements for an aggregate of nine times; and

  (ii) if the Spot Rate 1 is greater than the Strike Rates, the Group would pay to the bank a net settlement calculated based on the difference between the Spot Rate 1 and the Strike Rates times a notional amount of US$5 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

During the year, the contract is knocked-out and terminated, and gain from change in fair value of HK$1 million in respect of this contract has been recognised in profit or loss for the year.

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Note 3: Target redemption forward contracts

The Group entered into a two-year target redemption forward contract with a bank during the year, of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US$.

The first target redemption forward contract comprises non-deliverable settlement on a monthly basis and measured at 24 different expiry dates, save for the event leading to the knock-out and termination of the contract as discussed below.

At each expiry date:

(i) if the US$ to RMB spot exchange rate (the "Spot Rate 2") is greater than or equal to the lower barrier rate (buy US$/sell RMB at 6.0965, the "Lower Barrier Rate 1") and less than or equal to the upper barrier rate (buy US$/sell RMB at 6.5800, the "Upper Barrier Rate 1") as specified in the contract, the Group would receive a predetermined fixed amount of RMB360,000 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 RMB3,960,000 as stipulated in the contract;

(ii) if the Spot Rate 2 is greater than the Upper Barrier Rate 1, there would have no settlement;

(iii) if the Spot Rate 2 is less than the Lower Barrier Rate 1, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rate 2 and the Lower Barrier Rate times a notional amount of US$20 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

The other target redemption forward contract comprises non-deliverable settlement on a monthly basis and measured at 24 different expiry dates, save for the event leading to the knock-out and termination of the contract as discussed below.

At each expiry date:

(i) if the US$ to RMB spot exchange rate (the "Spot Rate 3") is greater than or equal to the lower barrier rate (buy US$/sell RMB at 5.6565, the "Lower Barrier Rate 2") and less than or equal to the upper barrier rate (buy US$/sell RMB at 6.6000, the "Upper Barrier Rate 2") as specified in the contract, the Group would receive a predetermined fixed amount of RMB75,000 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 RMB450,000 as stipulated in the contract;

(ii) if the Spot Rate 3 is greater than the Upper Barrier Rate 2, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rate 3 and the Upper Barrier Rate 2 times a notional amount of US$3 million, settled in RMB equivalent. There are no knock-out and termination features for losses;

(iii) if the Spot Rate 3 is less than the Lower Barrier Rate 2, there would have no settlement.

Both contracts are knocked-out and terminated as the cumulative net settlements received by the Group reached RMB3,960,000 and RMB450,000 respectively. Gain in changes of fair value of HK$5 million in respect of these contracts has been recognised in profit or loss for the year.

A gain of HK$12 million in respect of another two target redemption forward contracts had been recognised in the year ended 31 March 2011. These contracts were knocked-out and terminated in prior year.

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Note 4: Cross-currency interest rate swap

The Group entered into a cross-currency interest rate swap contract which was designated as a highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risks arising from the Group's floating-rate US$ bank borrowing by swapping the US$ floating-rate interest payments to RMB fixed rate interest payments. The cross-currency interest rate swap of the Group with notional principal amount of US$60,000,000 (equivalent to RMB402,300,000 at the date of inception of the loan, and reduced ratably with repayment of the underlying US$ bank borrowings) has fixed currency payments in RMB at exchange rate of US$ to RMB at 6.705, fixed interest payments in RMB at 2.99% per annum and floating interest receipts in US$ at 3% plus LIBOR per annum for periods up to November 2013. The cross-currency interest rate swap and the corresponding bank borrowings have the same terms and the directors consider that the cross-currency interest rate swap is highly effective hedging instruments.

At the end of the reporting period, the fair value of the above cross-currency interest rate swap was determined based on valuation provided by the counterparty bank.

Loss from changes in fair value of HK$6 million (2011: HK$19 million) has been recognised in other comprehensive income and accumulated in hedging reserve and HK$5 million (2011: nil) of such loss has been reclassified to profit and loss during the year.

During the year, the Group has repaid part of such US$ bank borrowing in accordance with the repayment schedules. The notional amount of the swap has been reduced to match with the decrease in US$ bank borrowing. The outstanding balance as at the end of the reporting period is amounting to US$46,666,667 (equivalent to HK$362 million) (2011: US$60,000,000 (equivalent to HK$467 million)). Details of such US$ bank borrowing has been disclosed in note 40.

31. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES AND NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

Included in amounts due from jointly controlled entities is dividend receivable amounting to HK$18 million (2011: HK$17 million) which is unsecured, interest-free and repayable on demand. The remaining balances are trade balances, unsecured, interest-free and with credit terms ranging from 30 days to 60 days.

The amounts due from non-controlling shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

32. HELD FOR TRADING INVESTMENTS

	2012 **HK$ million**	2011 HK$ million
Listed securities:		
– Equity securities listed in Hong Kong	**3**	14

33. STRUCTURED BANK DEPOSITS

During the year, the Group entered into certain equity-linked structured contract with banks with the aggregate principal sum of RMB181,930,000. These structured bank deposits are principal-protected yield enhancement bank deposits and contain embedded derivatives, of which the returns vary depending on the share price of certain listed securities or performance of certain investment portfolio.

The structured bank deposits carry a minimum interest at rate of 1.2% per annum plus an additional interest with a cap of 3% per annum which will be determined by reference to the share price of China Construction Bank at certain pre-determined dates.

During the year ended 31 March 2011, the Group had another equity-linked structured contract with a bank with a principal sum of RMB30,000,000. Such structured bank deposit, together with its return, was repaid upon its maturity on 28 December 2011.

34. 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 3.10% per annum (2011: 0.01% to 3.00% per annum).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.50% to 3.25% per annum (2011: 1.98% to 3.05% per annum).

35. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2012 **HK$ million**	2011 HK$ million
Within 30 days	**1,449**	1,273
31 to 60 days	**658**	333
61 to 90 days	**574**	559
91 days or over	**393**	144
Trade payables under endorsed bills	**1,049**	306
Trade payables	**4,123**	2,615
Accrued selling and distribution expenses	**382**	610
Accruals and other payables	**549**	394
Accrued staff costs	**388**	381
Other deposits received	**253**	134
Sales deposits received	**896**	692
Sales rebate payable	**392**	225
VAT payable	**124**	111
	7,107	5,162

36. BILLS PAYABLE

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

	2012	2011
	HK$ million	HK$ million
Within 30 days	**250**	200
31 to 60 days	**188**	218
61 to 90 days	**175**	242
91 days or over	**328**	257
	941	917

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

37. OBLIGATIONS 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 at the time of disposal. 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 at the date of disposal (based on a valuation carried out by Greater China Appraisal Limited, an independent valuer not connected with the Group) 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 2012, a liability of HK$160 million (2011: HK$125 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.

37. OBLIGATIONS 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 深圳市领优投资有限公司 (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 ended 31 March 2010, RGB has reached an agreement with the Purchasers to extend the Vesting Period to 31 December 2013. Accordingly, the obligations arising from put options written to the Purchasers was classified as a non-current liability.

As at 31 March 2012, a liability determined based on the present value of the obligation to deliver the share redemption amount at a discount rate of 10% of HK$202 million (2011: HK$183 million) has been recognised and presented as a non-current liability in the consolidated statement of financial position.

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

	2012 **HK$ million**	2011 HK$ million
At the beginning of the year	**308**	243
Imputed interest expenses for the year	**21**	18
Changes in estimated redemption price regarding put options to the Employees recognised in equity	**31**	40
Dividends paid for the year	**(10)**	–
Exchange realignment	**12**	7
At the end of the year	**362**	308
Analysis as:		
Current liabilities	**160**	125
Non-current liabilities	**202**	183
	362	308

38. PROVISION FOR WARRANTY

	2012 HK$ million	2011 HK$ million
Balance at 1 April	**93**	72
Adjustment arising from use of revised defective rates	**(3)**	(33)
Additional provision in respect of current year's sales	**136**	154
Utilised	**(97)**	(103)
Exchange realignments	**4**	3
Balance at 31 March	**133**	93
Analysed for reporting purposes as:		
Current liabilities	**101**	49
Non-current liabilities	**32**	44
	133	93

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.

39. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts due to jointly controlled entities are unsecured, interest free and with credit terms of 30 days. All outstanding amounts at the end of the reporting period are not yet due.

40. BANK BORROWINGS

	2012 HK$ million	2011 HK$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**369**	693
US$ loans associated with foreign currency forward contracts (*note 30*)	**123**	50
Other bank loans	**3,791**	3,612
	4,283	4,355

40. BANK BORROWINGS *(continued)*

	2012 **HK$ million**	2011 HK$ million
Secured	**2,884**	3,066
Unsecured	**1,399**	1,289
	4,283	4,355
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**207**	105
More than one year but not more than two years	**155**	207
More than two years but not more than five years	**–**	155
	362	467
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements.:		
Within one year	**3,206**	3,110
More than two years but not more than five years	**715**	778
	3,921	3,888
	4,283	4,355
Less: Amounts due within one year shown under current liabilities	**(3,568)**	(3,577)
Amounts shown under non-current liabilities	**715**	778

Included in the balance as at 31 March 2012 are fixed-rate bank borrowings of HK$391 million (2011: HK$693 million) and carry interest at rates ranging from 2.50% to 6.10% per annum (2011: 5.85% per annum). In addition, there is floating-rate bank borrowing amounting to US$46,666,667 as at 31 March 2012 (equivalent to HK$362 million) (2011: US$60,000,000 (equivalent to HK$467 million)) which is hedged by the cross-currency interest rate swap as disclosed in note 30 (Note 4).

All other bank borrowings are carried interest at variable market interest rates, which are based on LIBOR or PBOC lending rate plus a specific margin, ranging from 0.92% to 7.61% per annum (2011: 0.5% to 3.29% per annum).

As at the end of the reporting period, the Group had US$ denominated bank borrowings of HK$3,866 million (2011: HK$2,302 million). All other bank borrowings are denominated in RMB.

41. DEFERRED INCOME

	2012 HK$ million	2011 HK$ million
Deferred income	**336**	286
Less: Amount to be recognised as income within one year included in current liabilities	**(22)**	(23)
Amount to be recognised as income after one year	**314**	263

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 a straight-line 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$92 million (2011: HK$99 million).

42. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each:		
Authorised		
At 1 April 2010, 31 March 2011 and 31 March 2012	10,000,000,000	1,000
Issued and fully paid		
At 1 April 2010	2,527,338,923	253
Issue of shares upon exercise of share options	22,458,000	2
Issue of shares under scrip dividend scheme	44,019,018	4
At 31 March 2011	2,593,815,941	259
Issue of shares upon exercise of share options	29,157,000	3
Issue of shares under scrip dividend scheme	69,562,582	7
At 31 March 2012	2,692,535,523	269

The new shares rank pari passu with the existing shares in all respects.

Details of the exercise of share options during the two years ended 31 March 2012 are set out in note 43.

43. SHARE OPTIONS

The Company adopted certain 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.

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.

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 150,740,000 (2011: 171,996,500) representing approximately 5.60% (2011: 6.63%) of the issued share capital of the Company as at the end of the reporting period.

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2012

The following tables show the movements in the Company's share options granted under 2002 Share Option Scheme and 2008 Share Option Scheme during the year ended 31 March 2012:

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2011	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Cancelled during the year	Outstanding at 31 March 2012
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	11,782,500	–	–	–	**11,782,500**
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	12,272,500	–	–	–	**12,272,500**
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	12,372,500	–	–	–	**12,372,500**
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	12,998,000	–	–	–	**12,998,000**
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	1,000,000	–	–	–	**1,000,000**
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**
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	125,000	–	–	–	**125,000**
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	125,000	–	–	–	**125,000**
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	125,000	–	–	–	**125,000**
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	125,000	–	–	–	**125,000**

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2012 *(continued)*

Under 2002 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2011	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Cancelled during the year	Outstanding at 31 March 2012
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	125,000	–	(125,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	175,000	–	(125,000)	–	**50,000**
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	2,500,000	–	(1,625,000)	–	**875,000**
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	12,375,000	–	(10,745,000)	–	**1,630,000**
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 28 August 2012	929,000	–	(2,000)	–	**927,000**
		1 February 2008 to 31 January 2010	1 February 2010 to 28 August 2012	1,204,500	–	(85,000)	–	**1,119,500**
		1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	8,337,500	–	(6,107,500)	–	**2,230,000**
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	8,337,500	–	–	–	**8,337,500**
2 April 2008	0.712	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	668,000	–	(1,500)	–	**666,500**
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	964,000	–	(47,500)	–	**916,500**
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	2,225,000	–	(1,023,000)	–	**1,202,000**
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	2,225,000	–	–	–	**2,225,000**
				93,021,000	–	(20,636,500)	–	**72,384,500**

Notes:

(a) No share option was granted under 2002 Share Option Scheme during the year ended 31 March 2012.

(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 2012 was HK$4.57.

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2012 *(continued)*

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2011	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Cancelled during the year	Outstanding at 31 March 2012
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	534,500	–	(63,500)	–	**471,000**
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	1,940,000	–	(947,500)	–	**992,500**
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	10,137,500	–	(7,408,500)	–	**2,729,000**
		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	1,000	–	(1,000)	–	**–**
		26 November 2008 to 25 November 2010	26 November 2010 to 30 September 2018	25,000	–	(25,000)	–	**–**
		26 November 2008 to 25 November 2011	26 November 2011 to 30 September 2018	100,000	–	(75,000)	–	**25,000**
		26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	100,000	–	–	–	**100,000**
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	1,500,000	–	–	–	**1,500,000**

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2012 *(continued)*

Under 2008 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2011	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Cancelled during the year	Outstanding at 31 March 2012
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	–	1,000,000	–	–	**1,000,000**
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	1,000,000	–	–	**1,000,000**
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	1,000,000	–	–	**1,000,000**
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	1,000,000	–	–	**1,000,000**
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	–	1,000,000	–	–	**1,000,000**
26 September 2011	3.330	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	–	120,000	–	–	**120,000**
		26 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	120,000	–	–	**120,000**
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	120,000	–	–	**120,000**
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	120,000	–	–	**120,000**
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	–	120,000	–	–	**120,000**

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2012 *(continued)*

Under 2008 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2011	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Cancelled during the year	Outstanding at 31 March 2012
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	–	60,000	–	–	**60,000**
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	60,000	–	–	**60,000**
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	60,000	–	–	**60,000**
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	60,000	–	–	**60,000**
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	–	60,000	–	–	**60,000**
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	–	400,000	–	–	**400,000**
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	–	400,000	–	–	**400,000**
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	–	400,000	–	–	**400,000**
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	–	400,000	–	–	**400,000**
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	–	400,000	–	–	**400,000**
				78,975,500	7,900,000	(8,520,500)	–	**78,355,000**

Notes:

(c) 7,900,000 share options were granted under 2008 Share Option Scheme during the year ended 31 March 2012.

(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 2012 was HK$3.32.

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2011

The following tables show the movements in the Company's share options granted under 2002 Share Option Scheme and 2008 Share Option Scheme during the year ended 31 March 2011:

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2010	Granted during the year *(Note e)*	Exercised during the year *(Note f)*	Cancelled during the year	Outstanding at 31 March 2011
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	11,832,500	–	(50,000)	–	11,782,500
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	12,422,500	–	(150,000)	–	12,272,500
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	12,672,500	–	(300,000)	–	12,372,500
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	13,274,000	–	(276,000)	–	12,998,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	1,000,000	–	–	–	1,000,000
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
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	125,000	–	–	–	125,000

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2011 *(continued)*

Under 2002 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2010	Granted during the year *(Note e)*	Exercised during the year *(Note f)*	Cancelled during the year	Outstanding at 31 March 2011
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	125,000	–	–	–	125,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	225,000	–	(50,000)	–	175,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	12,375,000	–	(9,875,000)	–	2,500,000
		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 28 August 2012	1,033,500	–	(104,500)	–	929,000
		1 February 2008 to 31 January 2010	1 February 2010 to 28 August 2012	2,202,000	–	(997,500)	–	1,204,500
		1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	8,337,500	–	–	–	8,337,500
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	8,337,500	–	–	–	8,337,500
2 April 2008	0.712	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	691,000	–	(23,000)	–	668,000
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	2,225,000	–	(1,261,000)	–	964,000
		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
				106,858,000	–	(13,837,000)	–	93,021,000

Notes:

(e) No share option was granted under 2002 Share Option Scheme during the year ended 31 March 2011.

(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 2011 was HK$5.88.

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2011 *(continued)*

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2010	Granted during the year (Note g)	Exercised during the year (Note h)	Cancelled during the year	Outstanding at 31 March 2011
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	883,000	–	(348,500)	–	534,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	10,137,500	–	(8,197,500)	–	1,940,000
		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	1,000	–	–	–	1,000
		26 November 2008 to 25 November 2010	26 November 2010 to 30 September 2018	100,000	–	(75,000)	–	25,000
		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
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	–	1,500,000	–	–	1,500,000
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	–	1,500,000	–	–	1,500,000
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	–	1,500,000	–	–	1,500,000
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	–	1,500,000	–	–	1,500,000

43. SHARE OPTIONS *(continued)*

For the year ended 31 March 2011 *(continued)*

Under 2008 Share Option Scheme *(continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2010	Granted during the year (Note g)	Exercised during the year (Note h)	Cancelled during the year	Outstanding at 31 March 2011
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	–	10,000,000	–	–	10,000,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	10,000,000	–	–	10,000,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	10,000,000	–	–	10,000,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	10,000,000	–	–	10,000,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	–	10,000,000	–	–	10,000,000
				31,596,500	56,000,000	(8,621,000)	–	78,975,500

Notes:

(g) 56,000,000 share options were granted under 2008 Share Option Scheme during the year ended 31 March 2011.

(h) 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 2011 was HK$4.48.

44. 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 subsidiaries to employees at consideration below fair value (Note (ii)). An amount of share-based payment expenses of HK$62 million (2011: HK$42 million) has been recognised in the profit or loss of 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 31 March 2012 are disclosed in note 43, a summary of which is presented below:

	2012		2011	
	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	**171,996,500**	**2.281**	138,454,500	1.070
Granted during the year	**7,900,000**	**3.957**	56,000,000	4.669
Exercised during the year	**(29,157,000)**	**0.775**	(22,458,000)	0.773
Outstanding at the end of the year	**150,739,500**	**2.660**	171,996,500	2.281
Exercisable at the end of the year	**66,789,500**		60,521,500	

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.205 (2011: HK$5.343). The share options outstanding as at 31 March 2012 have a weighted average remaining contractual life of 3.6 years (2011: 4.2 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2011: HK$0.374 to HK$6.580).

Share options expenses charge to profit or loss are based on valuation determined using the relevant valuation techniques. Share options granted in current year were valued based on the following assumptions:

Date of grant	Number of share options granted	Valuation technique	Vesting period	Fair value per option HK$	Total fair values of options granted HK$	Closing share price at date of grant HK$	Exercise price HK$	Expected life	Expected volatility %	Expected dividend yield %	Risk free interest rate
16 September 2011	1,000,000	Binomial model	16 September 2011 to 30 August 2012	1.9929	1,993,000	4.01	4.08	7.0 years	65	3.49	1.633
16 September 2011	1,000,000	Binomial model	16 September 2011 to 30 August 2013	1.9891	1,989,000	4.01	4.08	7.0 years	65	3.49	1.633
16 September 2011	1,000,000	Binomial model	16 September 2011 to 30 August 2014	1.9755	1,976,000	4.01	4.08	7.0 years	65	3.49	1.633
16 September 2011	1,000,000	Binomial model	16 September 2011 to 30 August 2015	1.9507	1,951,000	4.01	4.08	7.0 years	65	3.49	1.633
16 September 2011	1,000,000	Binomial model	16 September 2011 to 30 August 2016	1.9151	1,915,000	4.01	4.08	7.0 years	65	3.49	1.633
	5,000,000				9,824,000						

44. SHARE-BASED PAYMENTS *(continued)*

Note (i) Share options *(continued)*

Date of grant	Number of share options granted	Valuation technique	Vesting period	Fair value per option HK$	Total fair values of options granted HK$	Closing share price at date of grant HK$	Exercise price HK$	Expected life	Expected volatility %	Expected dividend yield %	Risk free interest rate
26 September 2011	120,000	Binomial model	26 September 2011 to 30 August 2012	1.2530	150,000	2.85	3.31	7.0 years	65	4.91	1.514
26 September 2011	120,000	Binomial model	26 September 2011 to 30 August 2013	1.2488	150,000	2.85	3.31	7.0 years	65	4.91	1.514
26 September 2011	120,000	Binomial model	26 September 2011 to 30 August 2014	1.2349	148,000	2.85	3.31	7.0 years	65	4.91	1.514
26 September 2011	120,000	Binomial model	26 September 2011 to 30 August 2015	1.2112	145,000	2.85	3.31	7.0 years	65	4.91	1.514
26 September 2011	120,000	Binomial model	26 September 2011 to 30 August 2016	1.1785	142,000	2.85	3.31	7.0 years	65	4.91	1.514
	600,000				735,000						
31 October 2011	60,000	Binomial model	31 October 2011 to 30 August 2012	2.1462	129,000	4.19	4.19	6.9 years	65	3.34	1.759
31 October 2011	60,000	Binomial model	31 October 2011 to 30 August 2013	2.1431	129,000	4.19	4.19	6.9 years	65	3.34	1.759
31 October 2011	60,000	Binomial model	31 October 2011 to 30 August 2014	2.1305	128,000	4.19	4.19	6.9 years	65	3.34	1.759
31 October 2011	60,000	Binomial model	31 October 2011 to 30 August 2015	2.1063	126,000	4.19	4.19	6.9 years	65	3.34	1.759
31 October 2011	60,000	Binomial model	31 October 2011 to 30 August 2016	2.0707	124,000	4.19	4.19	6.9 years	65	3.34	1.759
	300,000				636,000						
14 February 2012	400,000	Binomial model	14 February 2012 to 30 August 2012	1.9393	776,000	3.81	3.81	6.6 years	68	3.81	1.380
14 February 2012	400,000	Binomial model	14 February 2012 to 30 August 2013	1.9391	775,000	3.81	3.81	6.6 years	68	3.81	1.380
14 February 2012	400,000	Binomial model	14 February 2012 to 30 August 2014	1.9249	770,000	3.81	3.81	6.6 years	68	3.81	1.380
14 February 2012	400,000	Binomial model	14 February 2012 to 30 August 2015	1.9000	760,000	3.81	3.81	6.6 years	68	3.81	1.380
14 February 2012	400,000	Binomial model	14 February 2012 to 30 August 2016	1.8630	745,000	3.81	3.81	6.6 years	68	3.81	1.380
	2,000,000				3,826,000						
	7,900,000				15,021,000						

Expected volatility was determined by using the historical volatility of the Company's share price over previous years. The effects of time to vest, non-transferability, exercise restrictions and behavioral considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised in the total expense of HK$53 million (2011: HK$11 million) for the year in relation to share options granted by the Company.

44. SHARE-BASED PAYMENTS *(continued)*

Note (ii) Sale of shares of subsidiaries to employees at consideration below fair value

The Group recognised in the total expense of HK$9 million for the year (2011: HK$8 million) in relation to sale of SDT shares.

Besides, during the year ended 31 March 2011, the Group disposed of 16% and 20% of its interests in Skyworth LCD Technology Limited and Skyworth Optical Electronic (Shenzhen) Company Limited respectively to certain directors of the Company's subsidiaries without losing control. The shortfall of cash consideration received of HK$13 million below the fair value of the equity interests disposed of HK$36 million, amounting to HK$23 million represented the fair value of services rendered by those senior management and is recognised in profit or loss.

45. PLEDGE OF ASSETS

At 31 March 2012, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$79 million (2011: HK$87 million) and HK$59 million (2011: HK$92 million) respectively; and

(b) structured bank deposits and pledged bank deposits of HK$224 million (2011: HK$36 million) and HK$630 million (2011: HK$558 million).

In addition, there were bills receivable endorsed to suppliers and discounted with recourse of HK$1,049 million (2011: HK$306 million) and HK$369 million (2011: HK$693 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 rented land and buildings which fall due as follows:

	2012 **HK$ million**	2011 HK$ million
Within one year	**27**	25
In the second to fifth year inclusive	**22**	57
Over five years	**1**	10
	50	92

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 six years and rentals are fixed over the term of the relevant leases.

46. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

During the year, the Group earned rental income of HK$82 million (2011: HK$75 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:

	2012 HK$ million	2011 HK$ million
Within one year	**52**	49
In the second to fifth year inclusive	**22**	40
	74	89

47. CAPITAL COMMITMENTS

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

	2012 HK$ million	2011 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**11**	50
Factory buildings under development	**735**	83
	746	133
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**10**	1
Factory buildings under development	**43**	118
	53	119

In addition, 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 LGD. The establishment 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 approval for issuance of these consolidated financial statements.

48. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2011 final dividend and 2012 interim dividend of HK$114 million (2011: 2010 final dividend of HK$115 million) and HK$89 million (2011: 2011 interim dividend of HK$67 million) respectively. Details are set out in note 16.

In addition, HK$4 million out of total cash consideration of HK$23 million for the disposal of partial interests in a subsidiary was received and outstanding balance of HK$19 million remains as amounts due from non-controlling shareholders in the consolidated statement of financial position at the end of the reporting period. Details of the amounts due from non-controlling shareholders are set out in note 31.

49. CONTINGENT LIABILITIES

At the end of the reporting period, RGB provides guarantee in respect of bank borrowing granted to one of its jointly controlled entities amounting to HK$25 million (2011: nil). The directors considered that the fair value of this financial guarantee contract at its initial recognition is insignificant on the basis of short maturity periods and low applicable default rates.

In addition, 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. 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.

50. 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.

50. RETIREMENT BENEFITS SCHEMES *(continued)*

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:

	2012 HK$ million	2011 HK$ million
Retirement benefit scheme contributions in Hong Kong	1	1
Pension costs in the PRC	134	93
Total retirement benefit scheme contributions	135	94

At both 31 March 2012 and 31 March 2011, there were no forfeited contributions available to offset future employers' contributions to the schemes.

51. RELATED PARTY TRANSACTIONS

Trading transactions

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

	2012 HK$ million	2011 HK$ million
Sales of raw materials	12	5
Sales of finished goods	–	1
Purchases of raw materials	38	28
Purchases of finished goods	4	3
Advertising and promotional expenses paid	21	11

Compensation of key management personnel

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

	2012 HK$ million	2011 HK$ million
Short-term benefits	66	66
Post-employment benefits	1	1
Share-based payments	13	4
	80	71

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.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2012 and 31 March 2011 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 2012 (Note a)	Effective interest held by the Company 2011	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 Investment (Holdings) Limited (Formerly known as Skyworth Digital Group Limited) 創維投資(控股)有限公司 (前稱"創維集團有限公司")	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
深圳创维－RGB电子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC *(Note c)*	Registered capital RMB700,000,000	**100%**	100%	Manufacture and sale of consumer electronic products
新创维电器(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
创维电子(内蒙古)有限公司	PRC *(Note c)*	Registered capital US$10,000,000	**100%**	100%	Manufacture and sale of consumer electronic products

52. 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 2012 (Note a)	Effective interest held by the Company 2011	Principal activities
创维平面显示科技(深圳)有限公司	PRC *(Note d)*	Registered capital US$39,500,000	**100%**	100%	Manufacture of consumer electronic products and property holding
深圳创维精密科技有限公司	PRC *(Note c)*	Registered capital RMB20,000,000	**100%**	100%	Design, Manufacture and sale of moulds and related Products
创维集团有限公司 (前稱"创维投资(深圳)有限公司")	PRC *(Note d)*	Registered capital HK$1,000,000,000	**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
创维多媒体(深圳)有限公司	PRC *(Note d)*	Registered capital US$5,500,000	**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
深圳创维数字技术股份有限公司	PRC *(Note c)*	Registered capital RMB120,000,000	**70%**	72%	Manufacture and sale of consumer electronic products and research and products development

52. 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 2012 (Note a)	Effective interest held by the Company 2011	Principal activities
利凯达应用电子有限公司 (前稱"创维应用电子(深圳)有限公司")	PRC *(Note c)*	Registered capital US$1,200,000	**94%**	94%	Trading of consumer electronic products
创维汽车电子(深圳)有限公司	PRC *(Note d)*	Registered capital HK$35,000,000	**100%**	100%	Manufacture and sale of automobile electronic products
创维液晶器件(深圳)有限公司	PRC *(Note d)*	Registered capital HK$25,000,000	**84%**	84%	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:

(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.

None of the subsidiaries had any debt securities outstanding at 31 March 2012 or at any time during the year.

SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$ million	2011 HK$ million
Investments in subsidiaries	**1,432**	1,379
Amounts due from subsidiaries	**3,421**	1,945
Other current assets	**1**	1
Amounts due to subsidiaries	**(176)**	(153)
	4,678	3,172
Share capital	**269**	259
Share premium	**2,085**	1,858
Reserves	**2,324**	1,055
	4,678	3,172

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	**28,137**	24,339	22,769	15,387	13,939
Cost of sales	**(22,181)**	(19,676)	(17,896)	(12,282)	(11,022)
Gross profit	**5,956**	4,663	4,873	3,105	2,917
Other income	**485**	390	402	245	189
Other gains and losses	**(41)**	101	33	112	23
Selling and distribution expenses	**(3,771)**	(2,854)	(2,968)	(2,192)	(1,969)
General and administrative expenses	**(906)**	(696)	(680)	(570)	(515)
Finance costs	**(177)**	(139)	(122)	(125)	(122)
Gain on disposal of subsidiaries	**–**	–	–	43	60
Share of results of jointly controlled entities	**30**	29	14	9	18
Profit before taxation	**1,576**	1,494	1,552	627	601
Income tax expense	**(308)**	(213)	(226)	(124)	(121)
Profit for the year	**1,268**	1,281	1,326	503	480
Attributable to:					
Owners of the Company	**1,252**	1,174	1,251	460	457
Non-controlling interests	**16**	107	75	43	23
	1,268	1,281	1,326	503	480

ASSETS AND LIABILITIES

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	**22,224**	18,675	19,222	11,063	13,070
Total consolidated liabilities	**(13,556)**	(11,426)	(13,368)	(6,659)	(9,118)
Net assets	**8,668**	7,249	5,854	4,404	3,952
Attributable to:					
Owners of the Company	**8,469**	7,074	5,773	4,353	3,948
Non-controlling interests	**199**	175	81	51	4
	8,668	7,249	5,854	4,404	3,952

FINANCIAL REVIEW

For the year ended 31 March

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

	2012	2011	2010	2009	2008
OPERATING RESULTS					
Turnover	**28,137**	24,339	22,769	15,329	13,939
Operating profit (EBIT)	**1,732**	1,615	1,660	700	703
Profit attributable to equity holders of the Company	**1,252**	1,174	1,251	460	457
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	**47.52**	45.90	52.32	20.15	19.95
Dividend per share	**15.5**	14.0	16.0	8.0	5.0
Dividend payout ratio – basic	**32.6%**	30.5%	30.6%	39.7%	25.1%
KEY STATISTICS					
Equity attributable to equity holders of the Company	**8,469**	7,074	5,773	4,353	3,952
Working capital	**6,819**	6,012	4,268	2,757	2,706
Cash position*	**3,018**	3,118	4,585	1,539	3,259
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**3,791**	3,612	968	147	610
Bills receivable	**9,118**	7,251	6,938	4,539	4,403
Trade receivables	**2,505**	2,051	1,584	1,403	1,276
Inventories	**3,151**	2,657	3,298	1,267	1,913
Capital expenditure**	**720**	475	339	322	340
Depreciation and amortisation	**237**	266	226	186	161
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**14.8**	16.6	21.7	10.6	11.6
Return on total assets (ROA) (%)	**5.6**	6.3	6.9	4.2	3.5
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**44.8**	51.1	16.8	3.4	15.3
Net debt to equity***	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.6**	1.6	1.3	1.4	1.3
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**129**	103	78	114	117
Inventories turnover period (days)****	**48**	55	47	48	60
Gross profit margin (%)	**21.2**	19.2	21.4	20.2	22.0
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**7.0**	7.7	8.3	5.8	7.2
Earnings before interest and taxation (EBIT) margin (%)	**6.2**	6.7	7.3	4.6	6.0
Profits margin (%)	**4.5**	4.8	5.8	3.0	3.4

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

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

*** Calculation based on (cash position + bills on hand – bank loans)/equity attributable to equity holders of the Company at year end

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Xuebin *(Executive Chairman)*
Ms. Ding Kai (passed away on 11 February 2012)
Mr. Yang Dongwen (*Chief Executive Officer* appointed on 15 February 2012)
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Lu Rongchang
Mr. Shi Chi (appointed on 15 July 2011)

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Ms. Chan Wai Kay, Katherine

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen *(Chairperson)*
Mr. Li Weibin
Ms. Chan Wai Kay, Katherine

Executive Committee

Mr. Zhang Xuebin *(Chairperson)*
Ms. Ding Kai (passed away on 11 February 2012)
Mr. Yang Dongwen
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Lu Rongchang
Mr. Liu Tangzhi
Mr. Wang Dehui
Mr. Li Xiaofang
Mr. Guo Limin
Mr. Hu Zhaohui
Ms. Dong Ning
Ms. Zhou Tong
Ms. Shao Meifang
Mr. Sun Weizhong

Remuneration Committee

Mr. Li Weibin *(Chairperson)*
Mr. So Hon Cheung, Stephen
Mr. Leung Chi Ching, Frederick (resigned on 15 July 2011)
Ms. Chan Wai Kay, Katherine
Ms. Lin Wei Ping (appointed on 15 July 2011)

Nomination Committee

Ms. Chan Wai Kay, Katherine *(Chairperson)*
Mr. So Hon Cheung, Stephen
Mr. Leung Chi Ching, Frederick
Mr. Li Weibin

COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchants Bank
Citic Bank International Limited
Industrial and Commercial Bank of China
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank 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
Wan Chai, Hong Kong

SHARE LISTING

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

IMPORTANT INFORMATION FOR 2011/2012

Results Announcement Date

Annual Results: 27 June 2012

Dividend Per Share

Final dividend: HK 10 cents

Dividend Payment Date

Final dividend: 19 October 2012

Closing Period of the Register of Members

Final dividend: From 10 September 2012 to 14 September 2012 both dates inclusive

COMPANY WEBSITE

http://www.skyworth.com

Skyworth

Skyworth Digital Holdings Limited
Stock Code : 751

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

Tel: (852) 2856 3138
Fax: (852) 2856 3590

www.skyworth.com