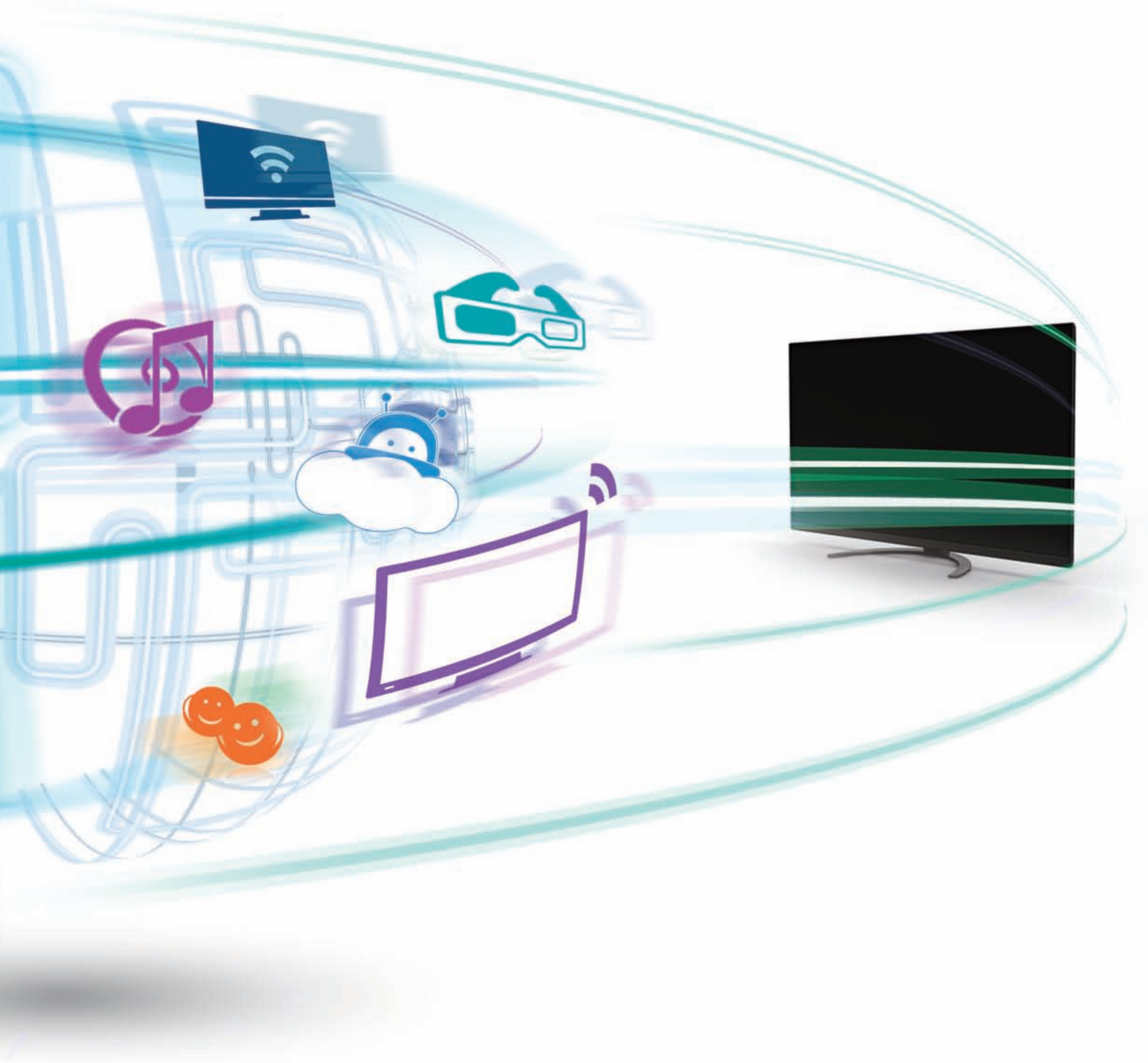
Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751



2012/13 annual report

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FINANCIAL HIGHLIGHTS

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

	2013	2012	Change
OPERATING RESULTS			
Turnover	**37,824**	28,137	+34.4%
Operating profit (EBIT)	**2,036**	1,732	+17.6%
Net profit for the year	**1,594**	1,268	+25.7%
Profit attributable to owners of the Company	**1,501**	1,252	+19.9%
FINANCIAL POSITION			
Net cash (used in) from operating activities	**(524)**	89	–688.8%
Cash position*	**2,949**	3,018	–2.3%
Bank borrowings	**5,806**	4,283	+35.6%
Bank borrowings excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**5,806**	3,791	+53.2%
Equity attributable to owners of the Company	**9,969**	8,469	+17.7%
Working capital	**6,955**	6,819	+2.0%
Bills receivable	**9,773**	9,118	+7.2%
Bills discounted with recourse	**–**	369	–100.0%
Trade receivables	**3,843**	2,505	+53.4%
Inventories	**5,109**	3,151	+62.1%
KEY RATIOS			
Gross profit margin (%)	**19.6%**	21.2%	–1.6pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**6.2%**	7.0%	–0.8pp
Profit margin (%)	**4.2%**	4.5%	–0.3pp
Return on equity holders of the Company (ROE) (%)	**15.1%**	14.8%	+0.3pp
Debt to equity (%)**	**58.2%**	50.6%	+7.6pp
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**58.2%**	44.8%	+13.4pp
Net debt to equity***	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.4**	1.6	–12.5%
Trade receivable turnover period (days)****	**122**	136	–10.3%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**120**	129	–7.0%
Inventories turnover period (days)****	**50**	48	+4.2%
DATA PER SHARE (HK CENTS)			
Earnings per share — Basic	**54.88**	47.52	+15.5%
Earnings per share — Diluted	**54.36**	46.28	+17.5%
Dividend per share	**18.00**	15.50	+16.1%
Dividend payout ratio — Basic	**32.8%**	32.6%	+0.2pp
Dividend payout ratio — Diluted	**33.1%**	33.5%	–0.4pp
Book value per share	**355.65**	314.48	+13.1%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,803**	2,693	+4.1%
Market capitalisation	**14,606**	9,776	+49.4%

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

** Bank borrowing/equity attributable to owners of the Company at year end

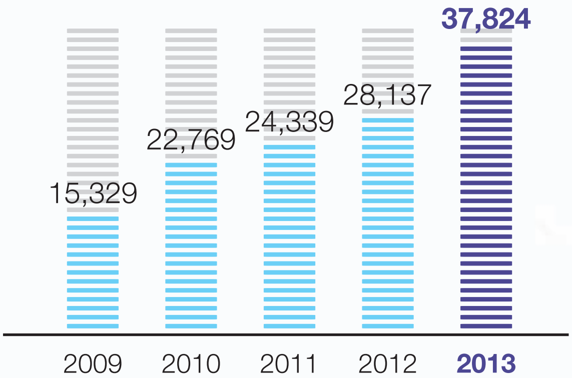
*** Calculation based on (cash position + bills on hand — bank loans)/equity attributable to owners of the Company at year end

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

FINANCIAL HIGHLIGHTS

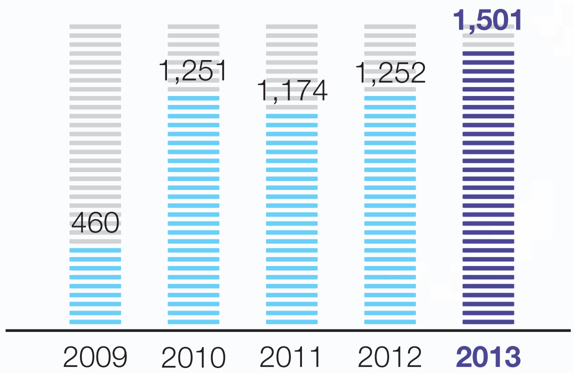
Turnover

(HK$ million)



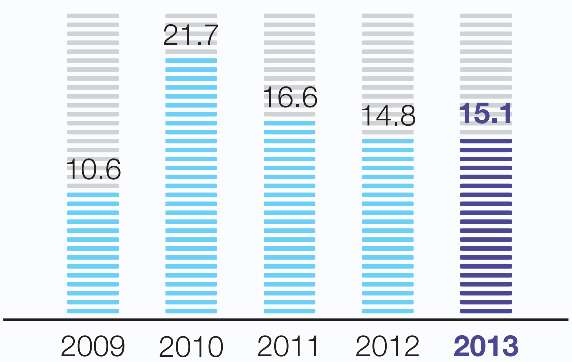
Profits Attributable to owners of the Company

(HK$ million)



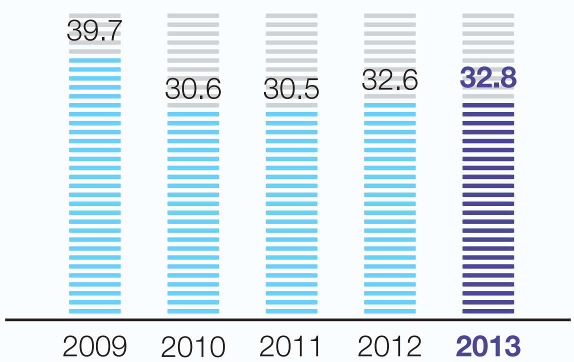
Return on Equity Holders of the Company (ROE)

(%)



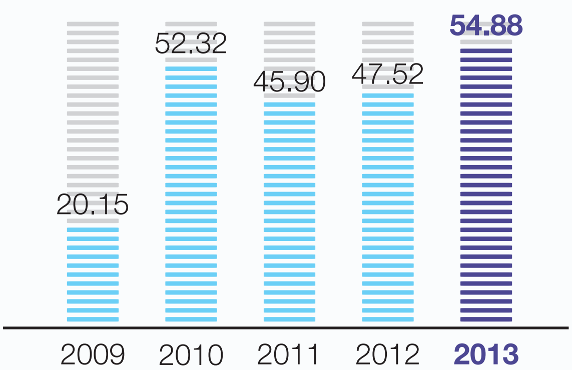
Payout Ratio

(%)



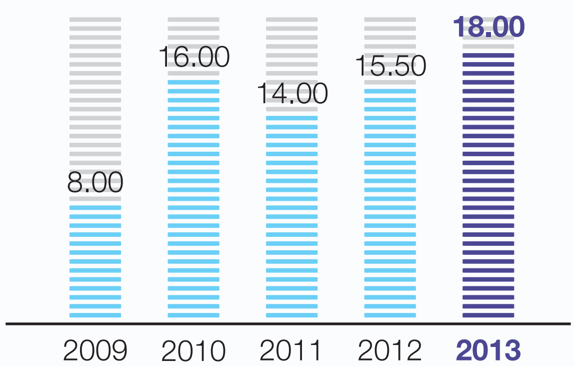
Earnings Per Share – Basic

(HK cents)



Dividend Per Share

(HK cents)



Letter from EXECUTIVE CHAIRPERSON

LETTER FROM EXECUTIVE CHAIRPERSON

Lin Wei Ping
Executive Chairperson

HIGHLIGHTS OF RESULTS

The Group recorded the following results during the financial year ended 31 March 2013:

- Turnover reached HK$37,824 million (84.7% from the mainland China market), an increase of 34.4% from that of the financial year ended 31 March 2012 (the "Previous Year").
- Sales of TV products and digital set-top boxes accounted for 79.9% and 10.3% of the Group's total turnover respectively.
- Gross profit achieved HK$7,406 million (HK$3,301 million in the first half year), increased by 24.3% year on year; and gross profit margin was 19.6% (20.1% in the first half year), decreased by 1.6 percentage points compared with that of Previous Year.
- Profit for the year was HK$1,594 million, surged by 25.7% from that of Previous Year.
- Profit for the year attributable to the owners of the Company increased by 19.9%, from HK$1,252 million of the Previous Year to HK$1,501 million.
- The Board has proposed a final dividend of HK11.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 32.8% for the whole year.

LETTER FROM EXECUTIVE CHAIRPERSON

Dear shareholders, partners and other stakeholders:

It is my pleasure to present to you the Skyworth's annual results for the financial year ended 31 March 2013 (the "Reporting Year").

In the reporting year, the Group set a new record again since its establishment. The Group achieved a double digit growth in both turnover and net profit of 34.4% and 25.7%. Even though the overall gross profit margin was declined by 1.6 percentage points from 21.2% to 19.6%, both the turnover and net profit still surged to HK$37,824 million and HK$1,594 million, respectively, from HK$28,137 million and HK$1,268 million, respectively.

The double-digit growth in turnover was mainly attributable to our core TV business unit which recorded turnover of over HK$30 billion, representing approximately 79.9% of the Group turnover and 27.8% growth for the Reporting Year. The Group's set top box and white good business units also recorded remarkable results. The turnover of the set top box and white good business units surged by 19.4% and 260.5%, to HK$3,906 million and HK$1,691 million, respectively. Whilst the Group has been enjoying steady growth, it is also in a healthy financial position. The net assets of the Group reached approximately HK$10,236 million representing an increase of 18.1% and the bank balances of the Group was HK$2,301 million at 31 March 2013.

The Board regrets that Mr. Zhang Xuebin resigned as executive chairman and executive director from 1 April 2013 for the reason that he wanted to devote more time in his personal and family matters. On behalf of the Board, I must take this opportunity to thank him for his valuable contribution and dedication to the Group since 2001 to 2013. The Board will continue to carry out the effective strategy and prudent policy adopted by it when Mr. Zhang was in office.

LETTER FROM EXECUTIVE CHAIRPERSON

I have served on the Board since 2006. From my past working experience with the Group since 1993, I have in-depth understanding of the Group's business and its development. It is my honour to chair a Board with such diverse, capable and experienced directors and to participate in leading the Group through the challenging economic environment. 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 the challenges and to grasp the opportunities in the forthcoming years. We are well equipped and are ready to mark another milestone.

Finally, on behalf of the Board, I would like to offer my appreciation and gratitude to our shareholders, business associates, customers and suppliers for their ongoing support and confidence in the Group, especially to our colleagues for their dedication and effort, which is crucial to our success. With their 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.

Yours sincerely,

Lin Wei Ping
Executive Chairperson
26 June 2013

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 2013 (the "Reporting Year") reached HK$37,824 million (Year 2012: HK$28,137 million), representing an increase of 34.4%. The profit for the year reached HK$1,594 million (Year 2012: HK$1,268 million), increased by 25.7%, year-on-year. Gross profit margin was 19.6% (Year 2012: 21.2%), decreased by 1.6 percentage points compared with that of the financial year ended 31 March 2012 (the "Previous Year").

For the Reporting Year, the TV sales volume reached 11.43 million sets, 0.93 million sets more than expectation, of which the mainland China market accounted for 8.71 million sets, exceeding target by 0.61 million sets; whilst the overseas markets accounted for 2.72 million sets, exceeding target by 0.32 million sets.

Continuous product reformation and technology innovation was our Group's philosophy to succeed during the Reporting Year and successfully pathed our way towards technological advancement. In addition, the Group continued to improve its product development abilities and to expand its promotion on its high-end products. We also strengthened our sales and provided thorough after-sales services by widening new sales channel such as e-commerce platform, commercial TV sales and specialty stores, implanted with successful marketing strategies and a series of marketing activities. From the stimulation of the televisions ("TVs") with three dimensional ("3D") features and light emitting diode backlight ("LED LCD") and Cloud TVs, the Group's turnover recorded a sustainable growth in the mainland China TV market.

Sales Network in the PRC

Amid slow recovery of economy in major Western countries, there were still many uncertainties that fluctuated the market environment. Nevertheless, the Group concentrated in exploring areas in the emerging markets, including India, Indonesia, Philippines and Thailand, that scale up TV sales under Skyworth brand. Hence, the turnover in overseas market roared by 72.9% over the same period last year.

In addition, the digital set-top boxes business and LCD modules business increased contribution that also drove the steady growth of the overall turnover.

BUSINESS REVIEW BY GEOGRAPHICAL AND PRODUCT SEGMENTS

Mainland China Market

For the Reporting Year, sales in the mainland China market accounted for 84.7% of the Group's total turnover. It recorded 29.2% growth from HK$24,791 million in the Previous Year to HK$32,039 million. The related gross profit margin was 21.3% (Year 2012: 22.7%), representing a decrease of 1.4 percentage points year on year.

The Group's sales of TV in mainland China market accounted for 86.6% of the total domestic turnover. The sales of digital set-top boxes, white appliances and LCD modules units accounted for 5.9%, 3.4% and 1.0%, respectively. Other business units include those engaged in manufacturing of moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 3.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

TV products

Amid slower growth of the China economy and continuous tight control measures implemented by the government on the PRC property market, the Group's TV products sales in mainland China market grew by 25.9% and reached HK$27,737 million (Year 2012: HK$22,029 million).

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in mainland China performed by All View Consulting Co., Ltd. (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 China) the Group's market shares among local and foreign TV brands in mainland China for the 12 months ended 31 March 2013 are as follows:

	Ranking	Market share
All TV		
— Volume	1	16.4%
— Revenue	1	16.0%
LCD TV (included CCFL and LED LCD TV)		
— Volume	1	17.5%
— Revenue	1	17.3%
3D TV (included CCFL and LED LCD TV)		
— Volume	1	25.9%
— Revenue	1	22.1%

The Group's 3D LED TV series and "Cloud" TV series with energy saving capability and comprehensive internet content has already gained consumers' acceptance. During the Reporting Year, over 8.71 million Flat Panel TVs under **Skyworth** brand were sold in mainland China, of which 8.40 million were LED LCD TVs, rose by 103.4% and accounted for 96.4% of the Group's total TV sales in mainland China. Included in the LED LCD TVs, volume of 2.64 million refers to 3D LED LCD TVs representing 30.3% of the Group's total TV sales in mainland China market. The sales volume of Cloud TVs has reached at 1.59 million, represented 18.3% of the Group's total TV sales in mainland China market.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Year, the Group devoted more resources in research and development ("R&D") in complied with our high-end TV products strategy, and endeavored to meet our consumer expectations. In August 2012, the Group firstly launched 4K2K Ultra High Definition ("UHD") LCD TVs, the display resolution of which was 4 times higher than those 1080P full high-definition televisions. In November 2012, the Group launched 12 series of UHD Cloud TVs which covered different display sizes of 55 inches, 60 inches and 84 inches. The Group planned to push these products into third, fourth-tier cities, indicating that Skyworth brand TVs would attract more demands from product upgrade and replacement and through technological upgrade to enhance the demand for large size TVs.

Being one of the companies in the first slot of High and New Technology Enterprises certified by the Chinese government, the Group continuously develops high end and high value added products. TV products of the Group has won awards that increase brand awareness and boost up the turnover of TV products in the mainland China. During the Reporting Year, key awards received by the Group include:

- In the "2012 Seventh China Digital TV Annual Ceremony", the Group was granted "2012 Outstanding Contribution Award" in overall, technology and product categories with SkyCloud technology, the Group was awarded the "2012 Technology Innovation Award" and the Group TV model numbered E800A won the "2012 Product Innovation Award".

- In the "2012 Eighth Summit Forum of China Digital TV Industry", the Group TV model numbered E800A also won the "2012 China's Top Ten Flat Panel TV Award".

- Shenzhen Skyworth-RGB Electronics Co., Ltd was honored by China Video Industry Association as an "Advanced enterprise in after-sale service of consumer electronics (TV industry)"

- In the latest "2012 Chinese Customer Satisfaction Handbook", the Group was granted "Five-star enterprise for service quality" in the TV industry.

- The Cloud TVs were awarded in the selection of "Energy Efficient Stars" activities, which held by the Ministry of Industry and Information Technology.

- In the "Second Digital Home Experience Center Program Competition", the Cloud TVs won "Best Experience Award".

Digital set-top boxes

For the Reporting Year, the digital set-top boxes turnover in mainland China market recorded HK$1,898 million (Year 2012: HK$1,953 million), representing a decrease of 2.8% or HK$55 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Affected by the deferred demand for the digital set-top boxes in major cities in mainland China market and keen price competition among competitors, the turnover of digital set-top boxed was slightly dropped. However, the Group is still able to maintain number 1 market share in the China market. Being the market leader, the Group has won the bid the program of live broadcasting satellite launched by the State Administration of Radio, Film and Television in 2012. Such bid covers four provinces, namely Jilin, Shaanxi, Xinjiang and Fujian with nearly 600,000 sets of products. Following the development of "Cloud TV", the Group introduced the "i.Kan" new product series. The new product is an Android based digital HD TV set-top box, featured by 3D HD TV program, HD decoding, two-ways interactive capability, family multimedia function, cloud computing etc. which aim to meet our customer expectations. Driven by the technological renovation of the digital set-top boxes, the Group has developed into more variety of products other than cable TV. This represented another growth driver for the turnover of digital set-top boxes in 2013.

White Appliances

For the Reporting Year, turnover of white appliances in mainland China market recorded HK$1,093 million (Year 2012: HK$215 million), representing a substantial increase of 408.4% or HK$878 million.

Remarkable quality attracted customers' trust and support for the Group's white appliances products which successfully entered into over 1,000 mainland China stores of first tier cities. At the same time, the Group distributed its refrigerators and washing machines through its existing sales network which marked a favorable results for the Reporting Year.

We expected that some weaker white appliance brands would withdraw from the market after the end of the PRC Government's subsidy policies. In the fierce competition environment, the Group would continue to strengthen its product quality and extend its sales channels in order to increase its market share and turnover in the white appliance industry.

LCD Modules

For the Reporting Year, turnover of LCD modules in mainland China market recorded HK$314 million (Year 2012: HK$265 million), representing an increase of 18.5% or HK$49 million.

The Group produces LCD modules with excellent technology, especially for small-medium size modules, to retain our brand reputation. The management of the LCD modules business unit obtained a strategic contract with a new customer for the production of small-medium size modules during the Reporting Year. Such arrangement boosted up its sales order and turnover.

In addition, to satisfy customers' different kinds of demand, the LCD module business unit enlarged its production scale, continuously upgrading its product quality, exploring new markets to widen its customer base in order to maintain its profitability.

Overseas Market

The turnover generated from overseas market accounted for HK$5,785 million (Year 2012: HK$3,346 million), equivalent to 15.3% of overall turnover (Year 2012: 11.9%), roared by HK$2,439 million or 72.9%. The gross profit margin was 9.7% (Year 2012: 8.9%), representing an increase of 0.8 percentage points.

TV products

For the Reporting Year, the turnover of overseas TV products was HK$2,475 million (Year 2012: HK$1,619 million), equivalent to 42.8% (Year 2012: 48.4%) of the total overseas turnover and grew by 52.9%. Although the sales volume of cathode ray tube ("CRT") TVs decreased by 55.6% to 0.52 million sets, the sales volume of flat panel TV sharply increased by 107.5% to 2.20 million sets. Such results led to increase in the overall sales volume by 22.0% to 2.72 million sets.

For the Reporting Year, through implementing a series of promotional activities, TVs with Skyworth brand name gained more acceptances from overseas customers resulting to a rise in turnover amounted to HK$232 million (Year 2012: HK$72 million). The Group continuously innovates and optimises its product structure and mix, and incorporated sales offices in emerging markets to increase sales. It also grasped the conversion opportunity in South-east Asia and Middle East countries for the replacement from CRT TVs to LCD or LED TVs by providing flexible product mix for meeting customers' need. The turnover was encouraging in overseas markets.

The key factors of the increase in the turnover of overseas TV products include:

- strengthen the development of the sales network in the overseas market, closely co-operate with the large scale chain stores and provide excellent after-sale services in order to maintain the product price competitiveness and gross profit margin;
- seise the demand for the digital conversion and introduce high-end products in the emerging markets; and
- creates synergy effects through successful implementation of strategic cooperation in order to achieve the Group's operational growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital set-top boxes

The sales amount of overseas digital set-top boxes for the Reporting Year rose by 52.5% to HK$2,008 million (Year 2012: HK$1,317 million).

Following with the high-pace development of technological products in Asia, the demand of digital set-top boxes increased. The Group grasped this opportunity to achieve significant increase of the turnover in this region. The sales of digital set-top boxes recorded 68.0% growth year on year. Our brand image and market shares benefited from the flexibility product mix and close customer relationship as well as successful marketing strategies adoption. The digital set-top boxes business would continue to seize the opportunity of large-scale digital conversion in South-East Asia and South America as well as actively exploit the market in Eastern Europe, Russia and Africa so as to strengthen its position in the overseas market.

White Appliances

The turnover of white appliances (mainly tablet computer) in overseas market recorded HK$598 million (Year 2012: HK$254 million), representing a substantial increase of 135.4% or HK$344 million.

For the Reporting Year, the sales orders and turnover of white appliances increased by reinforcing a thorough sales channels establishment and grasping the opportunity in South-East Asia with high economic growth. The Group would devote more resources in the development of white appliances in overseas markets such as extending its customer base, improving its product quality and actively exploring new emerging markets like Middle East and South America so as to sustain a higher turnover.

Geographical distribution in overseas markets

During the Reporting Year, the Group's major overseas markets are in Asia, America and Europe, which contributed 88.0% (Year 2012: 88.0%) of the total overseas turnover. The turnover from Asia market rose 5.0 percentage points due to emerging markets expansion. Middle East, Africa, Australia and New Zealand 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:

MANAGEMENT DISCUSSION AND ANALYSIS

	twelve months ended 31 March	
	2013	2012
	(%)	(%)
Asia (including Japan, Korea, Vietnam, etc.)	**42**	37
America	**26**	27
Europe	**20**	24
Middle East	**6**	5
Africa	**5**	3
Australia and New Zealand	**1**	4
	100	100

Gross Profit Margin

For the Reporting Year, the overall gross profit margin of the Group dropped 1.6 percentage points from 21.2% to 19.6% year on year.

As the market demand is substantial for high-ended products, the production cost continuously increased. In addition, the Group planned to cease production of CCFL LCD TVs during the year and to clear all existing inventories, which adversely affected the gross profit margin of TV products. Also the demands for less profitable and smaller sizes models increased substantially in third-fourth tiers market, which constitutes one of the major reasons for the declining gross profit margin.

On the other hand, TV and other business units of the Group have been actively expanding its business in the overseas market. The growth scale of new business units were faster than expected, therefore strategic pricing has to be adjusted in order to enhance the market share and also comparably led a drop to the overall gross profit margin.

Selling and Distribution Expenses

The Group's selling and distribution ("S&D") expenses consisted of 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 20.8% or HK$783 million from last year to HK$4,554 million. The ratio of S&D expense to turnover dropped 1.4 percentage points from 13.4% to 12.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Year, the Group launched various promotional projects to match with the launching of a series of new products. The Group also organised technical presentations, media advertisement and other activities to reinforce our brand influence that increased the advertising expenses by 20.4%. These corresponding selling costs increased as a result of the increase in the turnover including exhibition and flagship store expenditures, promotional staff expenses, and sales performance bonus.

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$482 million or 53.2% to HK$1,388 million. The G&A expenses to turnover ratio for the year have increased by 0.5 percentage points to 3.7%.

To maintain the ability to offer quality products with latest technology features, the Group had devoted more resources in R&D during the Reporting Year. This triggered an increase of HK$158 million or 85.4% in R&D expenses and increase of HK$21 million or 35.6% in technical consultancy fees. In addition, the staff salary and welfare increased by HK$142 million, or 59.7% due to the increase in number of employees and the salary 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$5,109 million (Year 2012: HK$3,151 million) as at the Reporting Year ended, representing an increase of HK$1,958 million or 62.1% from that as at 31 March 2012.

Having higher market demand for the middle to high-ended TV products, the corresponding raw materials and supplements would be comparably higher that pushed up the carrying value of the overall inventory. In addition, realignment to raw material reserves was made 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 were 50 days (Year 2012: 48 days).

Trade Receivables and Bills Receivable

At the end of the Reporting Year, the Group had a total of HK$13,616 million (Year 2012: HK$11,623 million) trade receivables and bills receivable. Comparing to the year ended at 31 March 2012, the two receivables increased by HK$1,993 million, or 17.1%. Trade receivables increased by HK$1,338 million or 53.4% to HK$3,843 million, whilst bills receivable also increased by HK$655 million or 7.2% to HK$9,773 million. The main components of these receivables were for TV business unit and digital set-top boxes business unit, which accounted for 73.1% and 17.1% respectively.

TV business unit's rising trade and bills receivables was coherent with its increase in 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$5,688 million (Year 2012: HK$4,123 million), increased by HK$1,565 million or 38.0%; bills payable accounted for HK$1,699 million (Year 2012: HK$941 million) which increased by HK$758 million or 80.6%.

The payable balance increased primarily reflected the large quantity procurements from soaring product demands, as well as the elevated raw material prices for TV and digital set-top box business units 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$6,955 million (Year 2012: HK$6,819 million) which increased by HK$136 million or 2.0%. Bank balances and cash amounted to HK$2,301 million (Year 2012: HK$2,164 million), representing an increase of HK$137 million, compared with that at 31 March 2012; structured bank deposit amounted to HK$25 million, representing a decrease of HK$199 million, compared with that at 31 March 2012; whilst the pledged bank deposits amounted to HK$623 million at 31 March 2013, representing a decrease of HK$7 million from that at 31 March 2012. The decrease in pledged bank deposits at the Reporting Year was mainly due to the foreign currency forward contracts with financial institutions as disclosed in note 34 of the annual report have been matured so that the corresponding cash released during the Reporting Year.

The Group secured certain assets against its trade facilities and loans granted from various banks. Such secured assets included HK$623 million pledged bank deposits and HK$25 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$126 million (Year 2012: HK$138 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$5,806 million (Year 2012: HK$4,283 million). Equity attributable to owners of the Company amounted to HK$9,969 million (Year 2012: HK$8,469 million); debt to equity ratio was 58.2% (Year 2012: 44.8%) 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

Most of the Group's major investments and revenue stream are situated in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"); others included Hong Kong dollars or United States ("US") dollars. During the Reporting Year, the Group required to carry out general trade financing to meet 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$9 million (Year 2012: HK$169 million) net foreign exchange gains associated with general operations with reference to mild RMB fluctuations.

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 target redemption forward contracts, performance swap contract and cross-currency interest rate swaps contract for managing 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, an addition of HK$657 million in construction projects were under way. The projects included those for new production lines and plants, energy-saving facilities, logistic centres, as well as our new headquarters in Shenzhen. These projects are positive influential to productivity and operations, and providing tactics to complete orders on time. The Group had also spent approximately HK$406 million on production plants (including leasehold land and buildings), machinery in production line setups and other equipments; and has planned to commit HK$814 million on plant, logistic centres and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

In the Reporting Year, one of the Group wholly owned subsidiaries, Shenzhen Chuangwei- (RGB) Electronics Co., Ltd ("RGB"), entered a New Joint Venture Agreement with LG Display Co., Ltd and Guangzhou GET Technologies Development Co., Ltd in relation of the formation of a joint venture, called LG Display (China) Co., Ltd ("LG Display (China)"), in the PRC. The proposed principal business activities of LG Display (China) are, among others, the manufacturing and sales of TFT-LCD flat panel display, display materials, LCD related products and other electronic components, wholesaling, importing and exporting of such products and parts and components and the provision of commission agency service, reparation service and ancillary, supporting service. According to the Agreement, RGB agreed to invest US$133,400,000 to LG Display (China), representing 10% of the registered capital of LG Display (China). As at 31 March 2013, RGB has injected an aggregation of US$20,000,000 (equivalent to HK$155 million). The remaining invested capital would be divided into two installments and paid in 2013 and 2014 respectively.

Resource integration is one crucial strategy to target good qualities for product elements. Except the investment in LG Display (China) mentioned above, the Group invested HK$15 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.

CONTINGENT LIABILITIES

As at 31 March 2012, RGB provided guarantee in respect of a bank borrowing granted to one of its jointly controlled entities amounting to HK$25 million. The directors considered that the fair value of this financial guarantee contract at its initial recognition was insignificant on the basis of short maturity periods and low applicable default rates. Such guarantee was expired during the year.

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.

HUMAN RESOURCES CAPITAL

At 31 March 2013, the Group had over 33,000 (Year 2012: 30,000) employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 41 branches and 204 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.

MANAGEMENT DISCUSSION AND ANALYSIS

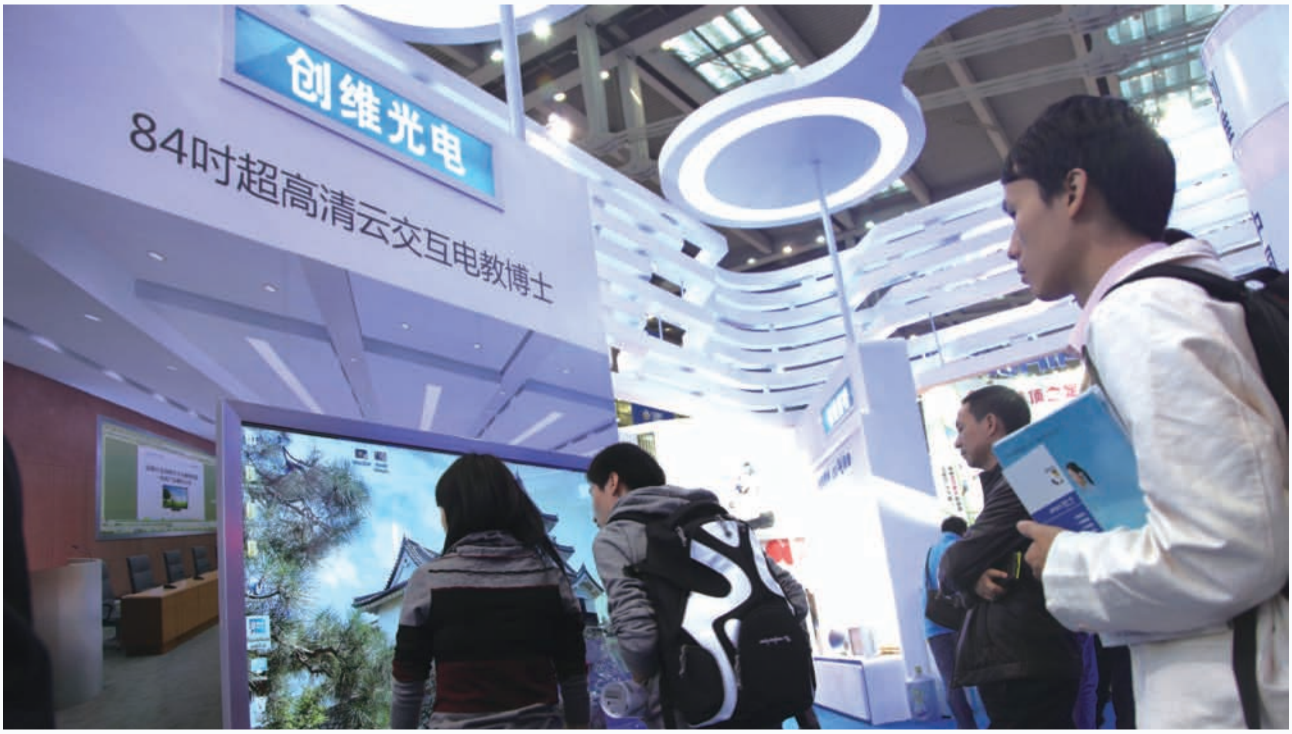
The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set. Such details, along with information on the duties and services performed by the Remuneration Committee and Nomination Committee are disclosed in the Corporate Governance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

OUTLOOK

Looking forward to actively promote 3D LED LCD TVs, Cloud TVs and Smart TVs to third and fourth tiers markets as well as rural areas market in mainland China and also the recovery of the Global economy, the Group projects an aggregated annual target of 14.0 million sets TV sales volume for the Financial Year 2013/14, 10.0 million sets (including 5.3 million 3D LED LCD TV and Cloud TV) in the mainland China market and 4.0 million sets in the overseas markets respectively.

In addition, the Group submitted a listing application to The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the proposed initial public offering of its LCD module business unit. Preparation work is currently in progress to obtain listing approval. At the same time, another preparation work is also underway for the submission of spin-off application to the Stock Exchange for the proposed spin-off of digital set-top box business unit to be listed in Shenzhen Stock Exchange. We believe these spin-off transactions would realise the value from these two business units.

The Group will maintain its strategy of developing other existing business units. It is encouraging to note that certain of these business units are heading toward the right direction and expecting to contribute reasonable results to the Group.



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 (the "Stock Exchange").

COMPLIANCE WITH THE CODE

During the year ended 31 March 2013 and up to the date of this report, the Company has complied with the code provisions in the Code.

KEY CORPORATE GOVERNANCE PRINCIPLES

Board of Directors

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

Board composition

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

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 nine meetings during the year ended 31 March 2013. Of these, two meetings were held mainly for approving the 2011/12 final results and the 2012/13 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 chairperson 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 chairperson 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.

The attendance of individual members at board meetings held during the year ended 31 March 2013 is set out as follows:

	Board meetings	
Name of director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Ms. Lin Wei Ping	9/9	100%
Mr. Zhang Xuebin (Resigned with effective on 1 April 2013)	9/9	100%
Mr. Yang Dongwen	9/9	100%
Mr. Lu Rongchang	9/9	100%
Mr. Leung Chi Ching, Frederick	9/9	100%
Mr. Shi Chi	9/9	100%
Independent non-executive Directors:		
Mr. So Hon Cheung, Stephen	8/9	89%
Mr. Li Weibin	8/9	89%
Ms. Chan Wai Kay, Katherine	9/9	100%

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 2013.

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 11 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 2013 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 chairperson 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 three meetings during the year ended 31 March 2013. The meetings were held to review the composition of the Board, to nominate executive chairperson for the Board and to review the change of executive chairperson and resignation of executive director.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2013 is set out as follows:

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

Remuneration committee

A remuneration committee was set up under the auspices of the Board on 5 February 2005 (the "Remuneration Committee") with written terms of reference adopted on 19 August 2005, 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. 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 three meetings during the year ended 31 March 2013. 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 2013, to review the proposals to grant stock options to 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 2013 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
INEDs:		
Mr. Li Weibin *(Chairperson)*	3/3	100%
Mr. So Hon Cheung, Stephen	3/3	100%
Ms. Chan Wai Kay, Katherine	3/3	100%
ED:		
Ms. Lin Wei Ping	3/3	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 44 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 the 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 2013, the Audit Committee held three meetings, all of which were held with the chief financial officer and the external auditors. At a meeting during the year, the Audit Committee had discussion with the external auditors in the absence of the Group's management.

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 2013.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2013 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 2013, 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 2013, 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 members, most of them continuously travel all over mainland China to perform their internal audit work.

During the year ended 31 March 2013, 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 fulfilment 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 2013 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 2013 were as follows:

Nature of services	For the year ended 31 March 2013 Amounts HK$'000	 2012 Amounts HK$'000
Audit service (including review of interim financial statements)	**8,820**	8,703
Non-audit and tax related service	**6,608**	214
Total	**15,428**	8,917

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 chairperson 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;

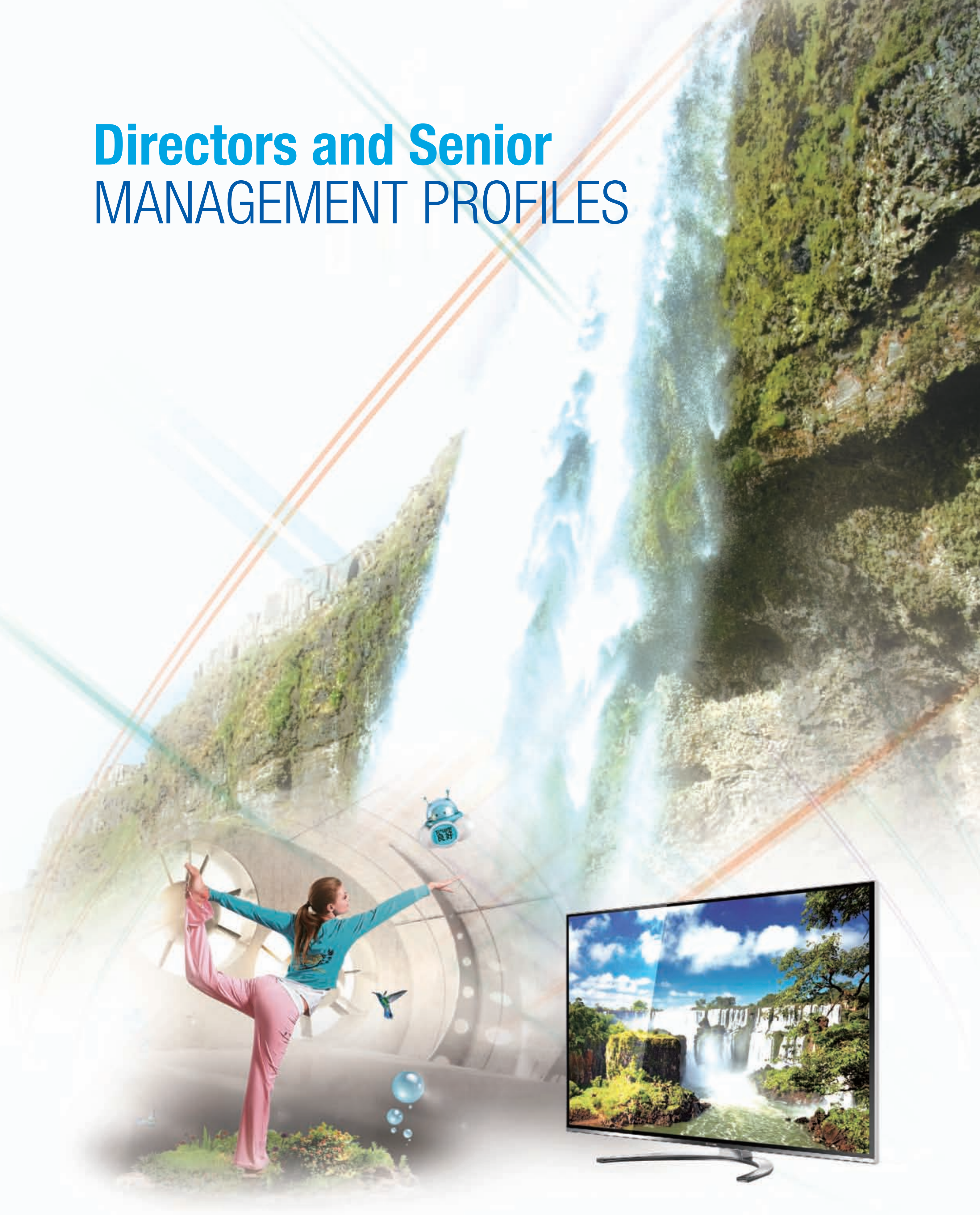
- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;

- 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

Ms. Lin Wei Ping, aged 55, is an executive director, as the executive chairperson since 1 April 2013. She is also a member of remuneration committee of the Company and a director of certain subsidiaries of the Company.

Ms. Lin joined the Group in 1993. Ms. Lin was the deputy manager of purchasing department and administration manager in Hong Kong and subsequently, the head of human resources department of the Group, primarily responsible for material purchasing from overseas market 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 and a controlling shareholder 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 shareholder of the Company.

As at 31 March 2013, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 50 to 55 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Yang Dongwen, aged 48, is an executive director and, since 15 February 2012, the chief executive officer as well as a director of certain subsidiaries of the Company and the vice president of the Group. He mainly focuses on the business operations of the Group, assists the Board to formulate strategies for the Group and ensures 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. 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 an associate professor of the School of Economics in Hainan University in the PRC in his early years. He was later a 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 shareholder or controlling shareholder of the Company.

As at 31 March 2013, Mr. Yang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 50 to 55 of this annual report.

Mr. Leung Chi Ching, Frederick, aged 55, 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 30 year 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 shareholder or controlling shareholder of the Company.

As at 31 March 2013, Mr. Leung has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 50 to 55 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Lu Rongchang, aged 67, is an executive director of the Company. He joined the Group in May 2006, and is currently 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 20 years working experience as general manager and chief engineer as well as has awarded 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 shareholder or controlling shareholder of the Company.

As at 31 March 2013, 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 50 to 55 of this annual report.

Mr. Shi Chi, aged 42, 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. He is also a 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 shareholder or controlling shareholder of the Company.

As at 31 March 2013, 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 50 to 55 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. So Hon Cheung, Stephen, aged 57, 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 Society of Certified Management Accountants of Canada and a fellow member of the Hong Kong Institute of Directors. 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.

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

As at 31 March 2013, Mr. So has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 50 to 55 of this annual report.

Mr. Li Weibin, aged 52, 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 28 years.

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

As at 31 March 2013, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of interests set out on pages 50 to 55 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Ms. Chan Wai Kay Katherine, aged 54, 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 Deputy 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 shareholder or controlling shareholder of the Company.

As at 31 March 2013, 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 50, joined the Group in 1998. He 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 shareholder or controlling shareholders of the Company.

Mr. Wang Dehui, aged 57, joined the Group in 2007. He is the general manager of headquarters of manufacture 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. He 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. He owns 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 shareholder or controlling shareholder of the Company.

Mr. Wu Qinan, aged 38, joined the Group in 2010, and is the general manager of Skyworth Electrical Appliance (Shenzhen) Co., Ltd.

Mr. Wu graduated from University of Electronic Science and Technology of China with a bachelor degree in electronic science and technology in 1995 and graduated from China Europe International Business School with master degree in business administration in 2009. Mr. Wu works in the field of consumer electronics for 18 years, and has over 15 years working experience in manufacturing management, product planning, marketing and business operations.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Guo Limin, aged 55, 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, He 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, he worked in the Southwest University of Political Science & Law and has extensive 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 shareholder or controlling shareholder of the Company.

Ms. Shao Meifang, aged 57, joined the Group in 2002 She is the general manager of Skyworth Group construction business unit, and director of certain subsidiaries of the Company.

Ms. Shao graduated from Suzhou Vocational University major in economic management. In the year of 2006, she completed the course of 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 had 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.

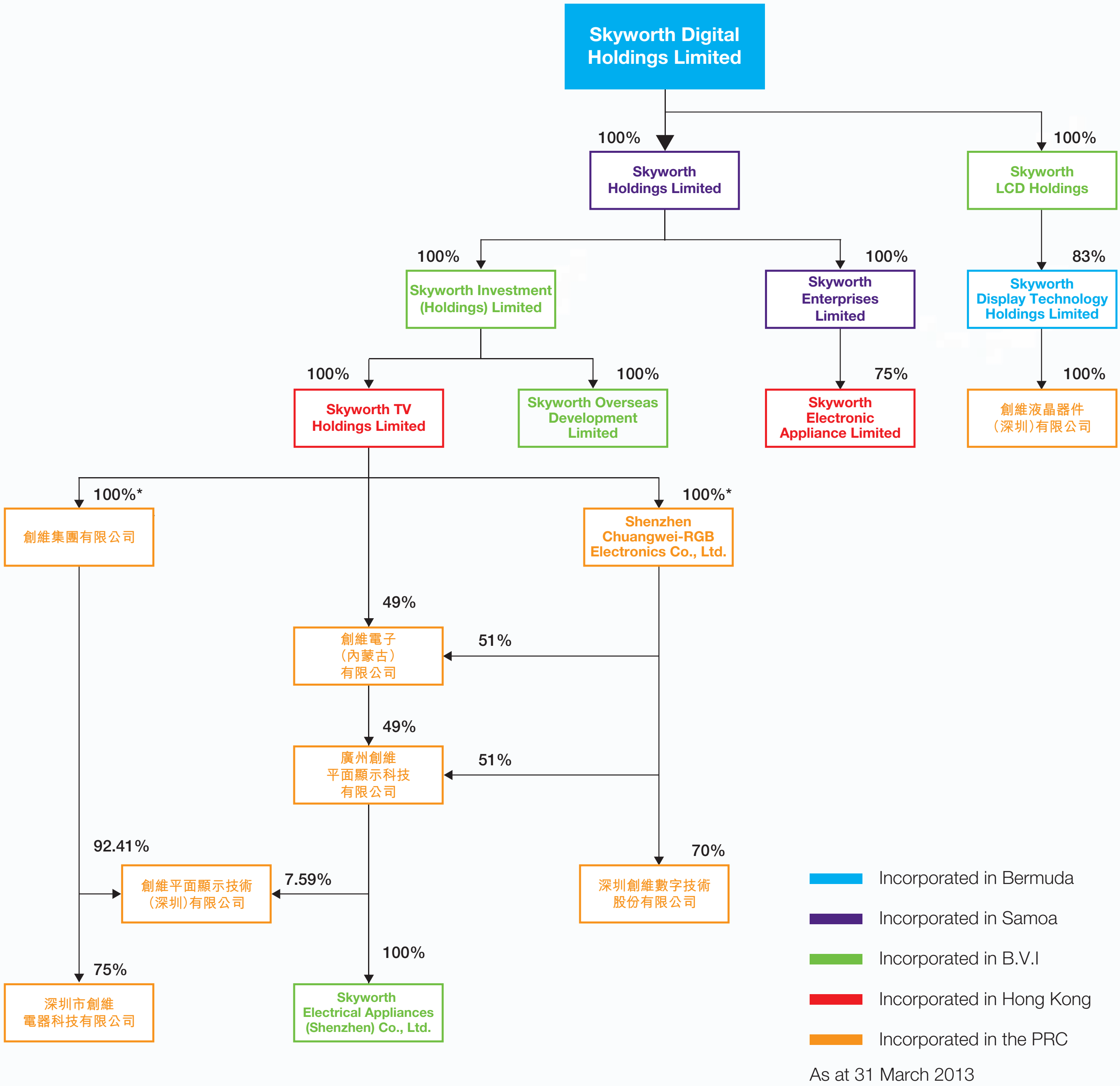
Save and except for the relationship with the Company, Ms. Shao does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

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. He has dedicated to business management teaching, research and practice for over 20 years. He also owns 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 shareholder or controlling shareholder of the Company.

SIMPLIFIED CORPORATE STRUCTURE



* Effective Interest

Investor
RELATIONS

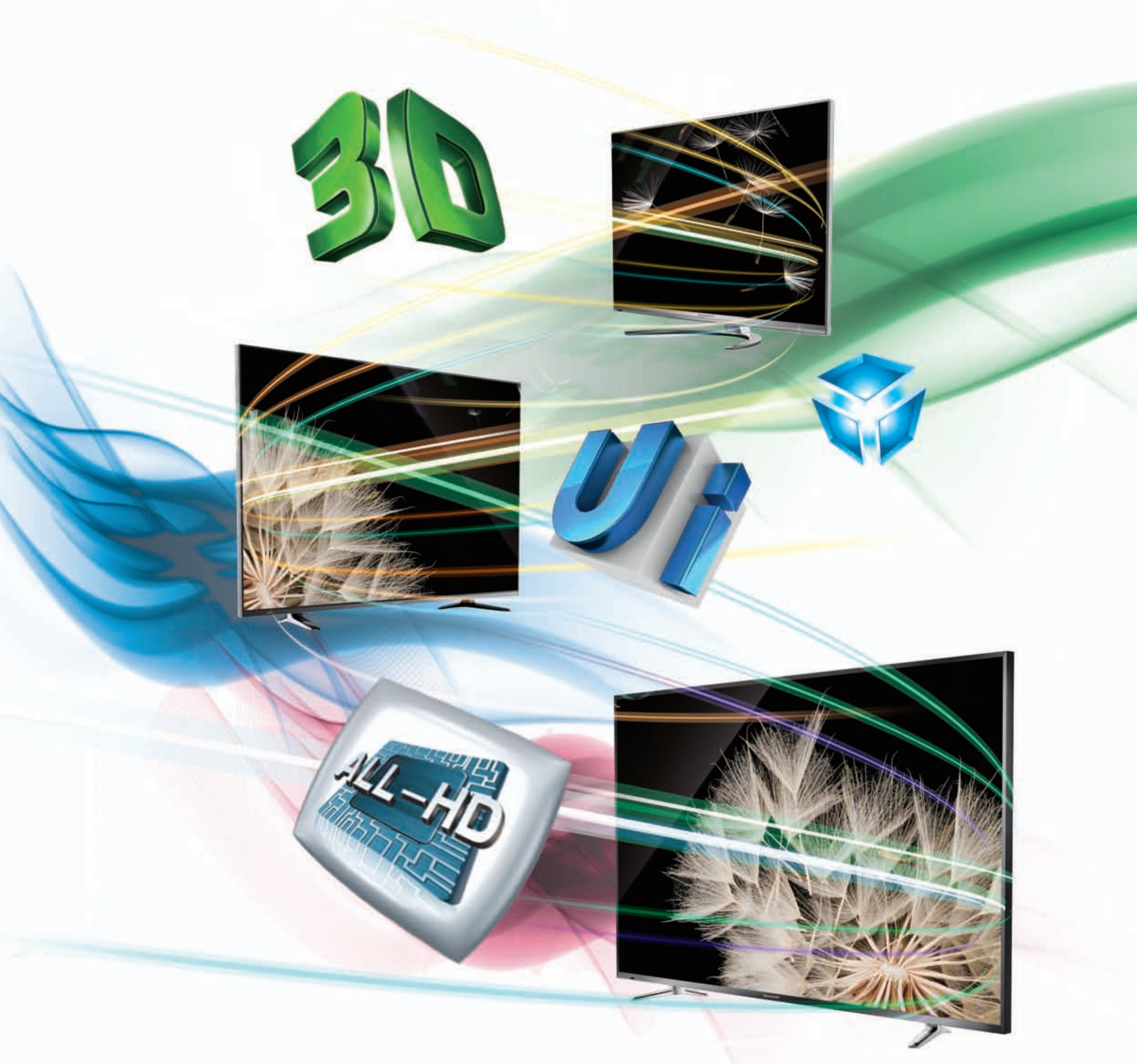
INVESTOR RELATIONS

CALENDAR OF MAJOR IR ACTIVITIES

April 2012 — March 2013

Time	Events
May 2012	• 17th CLSA China Forum 2012 at Beijing • Morgan Stanley 3rd HK Investor Summit
June 2012	2011/12 Annual Results Announcement • Analysts Presentation, webcasting and conference calls • Press Conference • Post-result Hong Kong roadshow arranged by Credit Suisse
July 2012	• Post-result Hong Kong roadshow arranged by Citi • Daiwa HK/China Investment Seminar in Tokyo • Post Annual Results Singapore roadshow arranged by Standard Chartered • Post Annual Results US roadshow arranged by JP Morgan • Post-results Toronto Roadshow arranged by CIBC World Markets
August 2012	• Post-results China roadshow at Shanghai arranged by CICC • 2011/12 Annual General Meeting — Press Briefing • Credit Suisse 2012 China/Hong Kong Emerging Corporate Day in Hong Kong
September 2012	• Credit Suisse 13th Asian Technology Conference 2012 at Taipei • Post Annual Results Germany and UK roadshow arranged by Macquarie
October 2012	• Credit Suisse APAC Retail Corporate Day in Hong Kong • CLSA HK/China Consumer Access Day in Hong Kong • J.P. Morgan's HK & China Small Mid Cap Corporate Access Day in Hong Kong
November 2012	2012/13 Interim Results Announcement • Analysts presentation, webcasting and conference calls • Press conference • Post-result Hong Kong roadshow arranged by Citi
December 2012	• Citi China Consumer Conference in Hong Kong • Post-result Singapore roadshow arranged by Credit Suisse • Société Générale 2012 HK Investor Conference in Hong Kong
January 2013	• CES (Consumer Electronics Show) 2013 Nomura Conference at Las Vegas, USA • CES (Consumer Electronics Show) 2013 UBS Global Tech Mini Conference at Las Vegas, USA • UBS Greater China Conference 2013 in Shanghai • CLSA China Industrial Access Day in Hong Kong
February 2013	• Barclays China Tech Corporate Day in Hong Kong
March 2013	• Bank of America Merrill Lynch "Taiwan, Technology & Beyond" Conference in Taipei • Credit Suisse Asian Investment Conference 2013 in Hong Kong

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 2013.

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 53 and 22 of the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 60 of the annual report.

An interim dividend of HK7.0 cents (2012: HK5.5 cent) per share amounting to HK$194 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK11.0 cents (2012: HK10 cents) per share to the shareholders on the register of members of the Company on 6 September 2013, estimated to be HK$308 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 158 to 159 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 16% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 61% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 27% 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$657 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group spent on production plants (including leasehold land and building) acquired additional plant and machinery at a cost of approximately HK$406 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.

DIRECTORS' REPORT

SHARE PREMIUM AND RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2013 amounted to approximately HK$1,656 million (2012: HK$2,180 million).

DONATIONS

During the year, the Group made charitable donations amounting to HK$295,521.

DIRECTORS

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

Executive directors:

Lin Wei Ping	*(Executive Chairperson, appointed on 1 April 2013)*
Zhang Xuebin	*(Resigned with effective from 1 April 2013)*
Yang Dongwen	*(Chief Executive Officer)*
Leung Chi Ching, Frederick	
Lu Rongchang	
Shi Chi	

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. Leung Chi Ching, Frederick, Ms Lin Wei Ping and Ms. Chan Wai Kay, Katherine 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 36 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 22 to 35 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 51 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2013, 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 2013, 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		8,080,298	0.29%
	Held by spouse	*(Note b)*	959,980,801	34.24%
		(Note c)	968,061,099	34.53%
Yang Dongwen	Beneficial owner		15,745,483	0.56%
Leung Chi Ching, Frederick	Beneficial owner		7,180,000	0.26%
Zhang Xuebin	Beneficial owner		6,554,655	0.23%
Lu Rongchang	Beneficial owner		3,291,005	0.12%
Li Weibin	Beneficial owner		1,000,000	0.04%
Shi Chi	Beneficial owner		790,316	0.03%
So Hon Cheung, Stephen	Beneficial owner		211,273	0.01%

Notes:

(a) 884,224,766 shares are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust(the "Trust") All of the units of the Trust and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 884,224,766 ordinary shares of the Company.

(b) Ms. Lin Wei Ping is interested in 968,061,099 ordinary shares of the Company, which comprise 8,080,298 shares held by herself, the deemed interests in 959,980,801 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 968,061,099 ordinary shares of the Company, which comprise 75,756,035 shares held by himself, the deemed interests in 884,224,766 shares held by Target Success Group (PTC) Limited and the deemed interests in 8,080,298 shares held by her 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 44 to the consolidated financial statements.

(ii) As at 31 March 2013, 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	8,000,000
Shi Chi	Beneficial owner	8,000,000
Yang Dongwen	Beneficial owner	5,000,000
		21,000,000

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

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2013
Directors:								
Zhang Xuebin								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	750,000	–	(750,000)	–	–
Yang Dongwen								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	(500,000)	–	–

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

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

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2013
Directors: *(continued)*								
Yang Dongwen *(continued)*								
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
Lin Wei Ping								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	(500,000)	–	–
Lu Rongchang								
1 February 2008	0.770	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 2012	6 November 2012 to 30 September 2018	250,000	–	(250,000)	–	–

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

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

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2013
Directors: *(continued)*								
Lu Rongchang *(continued)*								
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
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								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	(500,000)	–	–

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

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

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2013
Directors: *(continued)*								
So Hon Cheung, Stephen								
1 February 2008	0.770	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 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 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 2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2013
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
				24,250,000	–	(3,250,000)	–	21,000,000

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 2013.

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 44 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 2013.

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 2013, 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	Percentage of the issued share capital of the Company
Long positions			
Target Success Group (PTC) Limited	Trustee *(Note a)*	884,224,766	31.54%
Wong Wang Sang, Stephen	Beneficial owner	75,756,035	2.70%
	Held by spouse *(Note b)*	8,080,298	0.29%
	Interest of corporation controlled *(Note a)*	884,224,766	31.54%
		968,061,099	34.53%
Lin Wei Ping	Beneficial owner	8,080,298	0.29%
	Held by spouse *(Note c)*	959,980,801	34.24%
		968,061,099	34.53%
JP Morgan Chase & Co.	Beneficial owner	1,225,209	0.04%
	Investment Manager	87,877,053	3.14%
	Custodian corporation/ approved lending agent	51,298,828	1.83%
		140,401,090	5.01%
Short positions			
JP Morgan Chase & Co.	Beneficial owner	10,000	0.00%
Lending pool			
JP Morgan Chase & Co.	Custodian corporation/ approved lending agent	51,298,828	1.83%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Note a: 884,224,766 shares are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust (the "Trust") All of the units of the Trust and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 884,224,766 ordinary shares of the Company.

Note b: Mr. Wong Wang Sang, Stephen is interested in 968,061,099 ordinary shares of the Company, which comprise 75,756,035 shares held by himself, the deemed interests in 884,224,766 shares held by Target Success and the deemed interests in 8,080,298 shares held by her spouse Ms. Lin Wei Ping.

Note c: Ms. Lin Wei Ping is interested in 968,061,099 ordinary shares of the Company, which comprise 8,080,298 shares held by herself, the deemed interests in 959,980,801 shares held by her spouse Mr. Wong Wang Sang, Stephen.

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 2013.

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 2013.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2013 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

Lin Wei Ping
Executive Chairperson
26 June 2013

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 60 to 156, which comprise the consolidated statement of financial position as at 31 March 2013, 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 2013 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
26 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

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

	NOTES	2013	2012
Turnover	7	37,824	28,137
Cost of sales		(30,418)	(22,181)
Gross profit		7,406	5,956
Other income	9	651	485
Other gains and losses	10	(46)	(41)
Selling and distribution expenses		(4,554)	(3,771)
General and administrative expenses		(1,388)	(906)
Finance costs	11	(133)	(177)
Share of results of associates		3	–
Share of results of jointly controlled entities		(13)	30
Profit before taxation		1,926	1,576
Income tax expense	12	(332)	(308)
Profit for the year	13	1,594	1,268
Other comprehensive income (expense)			
Exchange differences arising on translation		123	289
Fair value loss on available-for-sale financial assets		(7)	(181)
Reclassification adjustment upon impairment of available-for-sale financial assets	24	7	170
Fair value loss on cash flow hedges	30(4)	–	(6)
Loss on cash flow hedges reclassified to profit and loss	30(4)	10	5
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		(1)	(12)
Other comprehensive income for the year		132	265
Total comprehensive income for the year		1,726	1,533
Profit for the year attributable to:			
Owners of the Company		1,501	1,252
Non-controlling interests		93	16
		1,594	1,268
Total comprehensive income for the year attributable to:			
Owners of the Company		1,633	1,499
Non-controlling interests		93	34
		1,726	1,533
Earnings per share (expressed in HK cents)			
Basic	17	54.88	47.52
Diluted	17	54.36	46.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

Amounts expressed in millions of Hong Kong dollars

	NOTES	2013	2012
Non-current Assets			
Property, plant and equipment	18	**3,068**	2,328
Deposits for purchase of property, plant and equipment		**124**	–
Investment properties	19	**11**	11
Prepaid lease payments on land use rights	20	**445**	416
Interests in associates	21	**13**	6
Interests in jointly controlled entities	22	**219**	218
Other receivable	23	**108**	102
Available-for-sale investments	24	**305**	143
Deferred tax assets	25	**137**	60
		4,430	3,284
Current Assets			
Inventories	26	**5,109**	3,151
Stock of properties	27	**539**	40
Prepaid lease payments on land use rights	20	**10**	10
Trade and other receivables, deposits and prepayments	28	**6,213**	3,512
Bills receivable	29	**9,773**	9,118
Derivative financial instruments	30	**–**	3
Amounts due from jointly controlled entities	31	**28**	52
Amounts due from non-controlling shareholders of a subsidiary	31	**–**	19
Held for trading investments	32	**–**	3
Tax recoverable		**12**	14
Structured bank deposits	33	**25**	224
Pledged bank deposits	34	**623**	630
Bank balances and cash	34	**2,301**	2,164
		24,633	18,940
Current Liabilities			
Trade and other payables	35	**9,586**	7,107
Bills payable	36	**1,699**	941
Obligations arising from put options written to non-controlling interests	37	**410**	160
Derivative financial instruments	30	**10**	20
Provision for warranty	38	**133**	101
Amounts due to jointly controlled entities	39	**4**	4
Amounts due to associates	39	**65**	–
Tax liabilities		**190**	198
Bank borrowings	40	**5,581**	3,568
Deferred income	41	**–**	22
		17,678	12,121
Net Current Assets		**6,955**	6,819
Total Assets less Current Liabilities		**11,385**	10,103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

Amounts expressed in millions of Hong Kong dollars

	NOTES	2013	2012
Non-current Liabilities			
Obligations arising from put options written to non-controlling interests	37	–	202
Provision for warranty	38	40	32
Bank borrowings	40	225	715
Deferred income	41	706	314
Deferred tax liabilities	25	178	172
		1,149	1,435
NET ASSETS		10,236	8,668
Capital and Reserves			
Share capital	42	280	269
Share premium		2,396	2,085
Share option reserve		157	144
Investment revaluation reserve		–	–
Surplus account		38	38
Capital reserve		537	400
Exchange reserve		1,120	998
Hedging reserve		(10)	(20)
Accumulated profits		5,451	4,555
Equity attributable to owners of the Company		9,969	8,469
Non-controlling interests		267	199
		10,236	8,668

The consolidated financial statements on pages 60 to 156 were approved and authorised for issue by the board of directors on 26 June 2013 and are signed on its behalf by:

Lin Wei Ping
DIRECTOR

Leung Chi Ching, Frederick
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

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 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
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

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 2012	269	2,085	144	–	38	400	998	(20)	4,555	8,469	199	8,668
Profit for the year	–	–	–	–	–	–	–	–	1,501	1,501	93	1,594
Exchange differences arising on translation	–	–	–	–	–	–	123	–	–	123	–	123
Fair value loss on available-for-sale financial assets	–	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	7	–	–	–	–	–	7	–	7
Loss on cash flow hedges reclassified to profit and loss	–	–	–	–	–	–	–	10	–	10	–	10
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	–	–	–	–	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income for the year	–	–	–	–	–	–	122	10	1,501	1,633	93	1,726
Recognition of equity- settled share-based payments	–	–	42	–	–	–	–	–	–	42	–	42
Transfer to capital reserve	–	–	–	–	–	137	–	–	(137)	–	–	–
Issue of shares under share option schemes	2	14	(3)	–	–	–	–	–	–	13	–	13
Issue of shares under scrip dividend scheme	9	297	–	–	–	–	–	–	–	306	–	306
Forfeiture of share option	–	–	(26)	–	–	–	–	–	26	–	–	–
Dividend recognised as distribution *(note 16)*	–	–	–	–	–	–	–	–	(464)	(464)	–	(464)
Adjustment arising from obligations from put options written to non-controlling interests *(note 37)*	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	4	4
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(8)	(8)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(30)	(30)	10	(20)
Balance at 31 March 2013	280	2,396	157	–	38	537	1,120	(10)	5,451	9,969	267	10,236

Notes:

(a) Surplus account 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 Investment (Holdings) Limited (formerly known as "Skyworth Digital Group Limited"), a subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000.

(b) Capital reserve 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 post-tax profit 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 2013

Amounts expressed in millions of Hong Kong dollars

	2013	2012
OPERATING ACTIVITIES		
Profit before taxation	1,926	1,576
Adjustments for:		
Depreciation of property, plant and equipment	302	228
Dividend income	(5)	(22)
Finance costs	133	177
Government grant related to assets recognised	(47)	(22)
Impairment loss on trade receivables	42	28
Impairment loss recognised in respect of available-for-sale investments	7	170
Imputed interest income from trade receivables	(4)	(3)
Imputed interest income from other receivable	(6)	(6)
Interest income from bank deposits	(63)	(58)
Loss from changes in fair value of derivative financial instruments	3	23
Loss from changes in fair value of financial assets classified as held for trading	–	11
Loss on cash flow hedges included in profit and loss	10	5
Loss on disposal of property, plant and equipment	45	6
Release of prepaid lease payments on land use rights	9	9
Share-based payment expenses	46	62
Share of results of associates	(3)	–
Share of results of jointly controlled entities	13	(30)
Write-down of inventories	80	7
Operating cash flows before movements in working capital	2,488	2,161
Cash paid on settlement of foreign currency forward contracts	(2)	(26)
Cash received on settlement of performance swap contract	2	2
Cash received on settlement of target redemption forward contracts	–	6
Increase in inventories	(2,484)	(456)
Increase in trade and other receivables, deposits and prepayments	(2,653)	(481)
Increase in bills receivable	(650)	(2,696)
Decrease (increase) in amounts due from jointly controlled entities	6	(19)
Decrease in held for trading investments	3	–
Increase in trade and other payables	2,296	1,763
Increase in bills payable	758	24
Decrease in amounts due to jointly controlled entities	–	(1)
Increase in amounts due to associates	65	–
Increase in provision for warranty	38	36
Increase in deferred income	18	20
Cash (used in) generated from operations	(115)	333
PRC income tax paid	(409)	(244)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(524)	89

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

Amounts expressed in millions of Hong Kong dollars

	2013	2012
INVESTING ACTIVITIES		
Dividend received	23	39
Interest received	65	54
Purchase of property, plant and equipment	(1,077)	(720)
Proceeds on disposal of property, plant and equipment	11	11
Prepaid lease payments on land use rights	(34)	(119)
Investments in associates	(4)	(6)
Investment in a jointly controlled entity	(10)	–
Investments in available-for-sale investments	(170)	(127)
Proceeds on disposal of available-for-sale investments	1	–
Advances to staffs	(49)	(26)
Repayments from staffs	26	19
Government grant received related to assets	399	52
Placement of pledged bank deposits	(623)	(745)
Withdrawal of pledged bank deposits	630	673
Placement of structured bank deposits	(25)	(224)
Withdrawal of structured bank deposits	224	36
NET CASH USED IN INVESTING ACTIVITIES	(613)	(1,083)
FINANCING ACTIVITIES		
Dividends paid	(177)	(199)
Interest paid	(110)	(143)
Issue of shares through exercise of share options	13	23
Contributions from non-controlling interests	4	7
New bank borrowings raised	9,804	7,924
Repayment of bank borrowings	(8,357)	(7,786)
Borrowings arising from discounted bills with recourse	75	719
Cash paid on settlement of cross-currency interest rate swap	(10)	(5)
Acquisition on additional interests in subsidiaries	(20)	–
Proceeds on disposal of partial interests in subsidiaries without losing control	19	4
NET CASH FROM FINANCING ACTIVITIES	1,241	544
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104	(450)
CASH AND CASH EQUIVALENTS AT 1 APRIL	2,164	2,524
Effect of foreign exchange rate changes	33	90
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	2,301	2,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 a jointly controlled entity are set out in notes 54, 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 amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*

The Group has applied for the first time the amendments to HKFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

As at 31 March 2013, the Group has endorsed bills receivable amounted to HK$1,749 million (2012: HK$1,049 million) to suppliers in exchange for goods or services. In addition, as at 31 March 2012, the Group had discounted bills receivable amounted to HK$369 million to banks on a full recourse basis. The Group continues to recognise certain bills receivable amounting to HK$1,491 million (2012: HK$1,418 million) and the corresponding borrowings of nil (2012: HK$369 million) and trade payables amounted to HK$1,491 million (2012: HK$1,049 million) for which the transfers do not satisfy the derecognition criteria set out in HKAS 39 *Financial Instruments: Recognition and Measurement*.

The relevant disclosures have been made regarding the transfer of these bills receivable on the application of the amendments to HKFRS 7 (note 43).

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

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. Since the Group measures its investment properties using the cost model, the application of the amendments to HKAS 12 has had no material effects on the Group's consolidated financial statements.

Accounting policy on Transfers of Financial Assets

In the current year, the directors of the Company have reassessed the accounting policy as to whether the Group should derecognise bill receivables when they are transferred to the Group's suppliers for settlement of the related trade payables through endorsing the bills to its suppliers with full recourse. In case that the issuing banks fail to settle the bills upon maturity, the Group shall have to settle the payment to the related trade payables as the endorsement of the bills are on a full recourse basis.

The directors of the Company have reassessed whether the Group has transferred substantially all the risks and rewards of ownership of such bills when they have been transferred to the Group's suppliers. Taking into account the past settlement history of similar bills receivable and the issuing banks' credit rating, the Group has determined that the likelihood of non-settlement of bills receivable on maturity which were issued by certain banks with high credit rating is remote. Therefore, the Group has determined to derecognise bills receivable issued by these banks and the payables to suppliers in their entirety when they are transferred to suppliers prior to the maturity of those bills as, in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payable to its suppliers under the relevant PRC practice, rule and regulations. As at 31 March 2013, the Group has derecognised these bills receivable and the payables to suppliers which were being endorsed amounting to HK$258 million in their entirety.

No such derecognition was performed at 31 March 2012 as the directors of the Company considered the amount involved was not significant.

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 — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[2]
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]
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 Liabilities[3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[4]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 July 2012

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.

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

HKFRS 9 *Financial Instruments* *(Continued)*

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.

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. HK(SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied 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 directors anticipate that the application of HKFRS 10 will have no effect on the Group. However, the application of the remaining standards may have significant impact on amounts reported in the consolidated financial statements. 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 available-for-sale investments 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 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit and loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". 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 items of other comprehensive income to be 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 to loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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 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 (the "Listing Rules") 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

Income and expenses 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 intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

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 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.

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, except that:

- deferred tax assets or liabilities, and assets or liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 leasehold land (classified as finance leases) 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 subsequent 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.

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 is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recognised 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 its 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 the 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 immediately in profit or loss.

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 released 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. Under the equity method, interests 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

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.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for live transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in jointly controlled entities *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories, less all estimated costs of completion and 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 of stock of properties includes cost of land, development expenditure and other directly attributable expenses. Net realisable value represents the estimated selling price for stock of properties less all 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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 have 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 a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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 consolidated 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 measured 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.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on available-for-sale financial assets are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end loss on each reporting period (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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.

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 amortised 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 financial asset's original effective interest rate.

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

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 losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

Impairment loss on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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 represent financial liabilities held for trading.

Derivative financial instrument that is not designated and effective as a hedging instrument is classified as held for trading.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the “other gains and losses” in profit or loss excludes any interest paid on the financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 associates, 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 Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when 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 and 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 consolidated 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a 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 or loss.

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

Provision for warranty

Provision for warranty is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Provision for warranty is measured at the best estimate of the consideration required to settle the present 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 on a systematic and rational basis 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. 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).

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 exchange 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$) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents 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 before taxation" 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.

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 associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

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

At the 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.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have 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 received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under "trade and other payables".

Processing income is recognised when services are provided.

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 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.

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

Critical judgements in applying accounting policies

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

Transfer of financial assets

As disclosed in note 43, the Group has derecognised bills receivable issued by certain banks and the payables to suppliers in their entirety prior to the maturity of those bills as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. The determination of derecognising such bills receivable and payables requires the management to apply judgement as to whenever substantially all the risks and rewards of ownership of these bills have been transferred, taking into account the credit risk of banks that issue the bills and the past 5-year settlement history of the Group's bills receivable.

Key sources of estimation uncertainty

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

Allowance for inventories

Inventories are stated at the lower of cost and net realisable value. For the year ended 31 March 2013, allowance of HK$80 million (2012: HK$7 million) 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 ageing, subsequent sales information and technological obsolescence. The directors of the Company believe that there will not be a material change in the estimates or assumptions which are used in the assessment of net realisable values of inventories.

However, if estimates regarding consumer demand are inaccurate and changes in technology affect demand for certain products in an unforeseen manner, allowance for inventories may increase or decrease accordingly.

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

Key sources of estimation uncertainty *(Continued)*

Impairment of trade receivables

Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. During the year ended 31 March 2013, impairment loss of HK$42 million (2012: HK$28 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 ageing, 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. As at 31 March 2013, provision for warranty of HK$173 million (2012: HK$133 million) is recognised for the products sold and processed. 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

	2013 HK$ million	2012 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	17,962	15,002
Held for trading investments	–	3
Available-for-sale financial assets	305	143
Derivative financial instruments	–	3
Financial liabilities		
Liabilities at amortised cost	15,685	11,250
Derivative financial instruments	10	20

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivable, available-for-sale investments, trade and other receivables, bills receivable, derivative financial instruments, 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 associates, 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 other 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 other price.

Currency risk

The Group's sales in the PRC represent over 85% (2012: 88%) of the Group's total turnover. All of these sales transactions are conducted and denominated in RMB. 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 currencies rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

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

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$ million	HK$ million	**HK$ million**	HK$ million
US$ against RMB	**435**	740	**5,290**	4,702
HK$ against RMB	**4**	7	**7**	11
RMB against US$	**427**	421	**–**	48

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 borrowings, 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.

Currency risk sensitivity analysis

The directors of the Company considered that the Group's exposure to HK$ against RMB is limited. Accordingly, no sensitivity to fluctuation in HK$ against RMB is presented.

The Group therefore exposes to fluctuations between US$ and RMB. The following table only details the Group's sensitivity to a 5% increase and decrease in US$ 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$ weakens 5% against RMB. For a 5% strengthening of US$ against RMB, there would be an equal and opposite impact on the profit for the year.

	2013	2012
	HK$ million	HK$ million
Profit for the year		
US$ against RMB	**224**	184

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its 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 bank borrowings).

The management considered that the exposure to cash flow interest rate risk in relation to pledged bank deposits and bank balances is minimal, 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$12 million (2012: HK$15 million).

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities and structured bank deposits (as disclosed in notes 24 and 33 respectively). The Group's other price risk is mainly concentrated on equity investments operating in consumer products industry sector quoted in the Stock Exchange and commodities price. 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, investment revaluation reserve would increase/decrease by HK$8 million/nil (2012: HK$9 million/nil) and post-tax result for the year would increase/decrease by nil/HK$8 million (2012: nil/HK$9 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 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 amounts 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 50. 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.

In order to minimise the credit risk on bills received from customers, the Group will only accept bills issued by certain licensed banks with high credit ratings. Before accepting any bills from customers, the Group will verify the validity of each bill. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

The Group has endorsed and then derecognised bills receivable issued by certain banks and the payables to suppliers in their entirety prior to the maturity of those bills as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills being derecognised are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is remote.

The structured bank deposits, pledged bank deposits and 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 92% (2012: 95%) of the total trade receivables at the end of the reporting period.

Other than concentration of credit risk on other receivable with carrying amount of HK$108 million (2012: HK$102 million) as disclosed in note 23 and receivables from government for refunds paid to customers on buying energy-saving products of HK$1,208 million (2012: nil) as disclosed in note 28 for which the Group considers the counterparties have 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2013, the Group has available unutilised bank borrowing facilities of approximately HK$17,952 million (2012: HK$23,655 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. 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 31.3.2013 HK$ million
2013							
Non-derivative financial liabilities							
Trade and other payables	–	4,995	1,644	1,062	–	7,701	7,701
Bills payable	–	509	652	538	–	1,699	1,699
Obligations arising from put options written to non-controlling interests *(note 37 (Note a))*	–	193	–	–	–	193	193
Obligations arising from put options written to non-controlling interests *(note 37 (Note b))*	10.00	–	–	247	–	247	217
Amounts due to associates	–	65	–	–	–	65	65
Amounts due to jointly controlled entities	–	4	–	–	–	4	4
Bank borrowings – variable rate	2.39	1,293	224	965	276	2,758	2,707
Bank borrowings – fixed rate	3.14	283	45	2,842	–	3,170	3,099
		7,342	2,565	5,654	276	15,837	15,685
Derivatives settled, net							
Cross-currency interest rate swap	–	–	–	10	–	10	10

	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 50)*	–	–	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)

The amounts included above for financial guarantee contracts as at 31 March 2012 were 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 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$155 million (2012: HK$362 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 one year (2012: within two 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$156 million (2012: HK$374 million).

	Maturity Analysis – borrowings 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 at 31.3.2013 HK$ million
31 March 2013	**2.99**	**–**	**156**	**–**	**–**	**156**	**155**
31 March 2012	2.99	–	54	162	158	374	362

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:

	2013		2012	
	Carrying amount HK$ million	**Fair value HK$ million**	Carrying amount HK$ million	Fair value HK$ million
Other receivable	**108**	**109**	102	105

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).

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
2013				
Available-for-sale financial assets				
Listed equity securities	83	–	–	83
Derivative financial instrument				
Cross-currency interest rate swap	–	(10)	–	(10)

	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)

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:

	2013 HK$ million	2012 HK$ million
Sales of TV products	30,212	23,648
Sales of digital set-top boxes	3,906	3,270
Processing income and sales of liquid crystal display ("LCD") modules	535	285
Sales of white appliances	1,691	469
Property rental income	83	82
Sales of properties	169	–
Others	1,228	383
	37,824	28,137

8. SEGMENT INFORMATION

The Group is organised into 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 (i.e. the executive directors of the Company). In addition, for "TV products", the information reported to the chief operating decision maker is further broken down into PRC market and overseas market.

In the current year, information reported to the chief operating decision maker for the purposes of performance assessment and resource allocation had been re-categorised. The Group's reportable and operating segments under HKFRS 8 *Operating Segments* as follows:

1. TV products (PRC market) — design, manufacture and sale of televisions for the PRC market (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region)
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, sale and processing of LCD modules
5. White appliances — design, manufacture, sale and processing of white appliances, including refrigerators, washing machines, tablet computers, etc (previously included as "other electronic products" for the year ended 31 March 2012 *(Note)*)
6. Property holding — leasing of property

Note: During the year, segment of "other electronic products" in the annual report of the Group for the year ended 31 March 2012 had been separated and grouped into either a new segment of "White appliances" or "Others" (described as below) in accordance with the information reported to the chief operating decision maker. Comparative figures are re-presented to conform with changes in presentation in the current year.

Although "White appliances" segment and "Property holding" segment do not meet any of the quantitative thresholds for determining reportable segments, they are separately disclosed as the management believes that information about these two segments would be useful to users of the consolidated financial statements.

In addition to the above reportable segments, the Group has two other operating segments which include (i) design, manufacture and sale of electronic products (previously included as "other electronic products"), and (ii) sales of properties. None of these two operating segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of these two operating segments are grouped as "Others".

8. SEGMENT INFORMATION *(Continued)*

Segment information about these businesses is presented below.

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 2013

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Turnover									
Segment revenue from external customers	27,104	3,108	3,906	535	1,691	83	1,397	–	37,824
Inter-segment revenue	329	–	–	954	–	–	71	(1,354)	–
Total segment revenue	27,433	3,108	3,906	1,489	1,691	83	1,468	(1,354)	37,824
Results									
Segment results	1,733	(15)	396	148	83	52	(109)	–	2,288
Interest income									73
Unallocated corporate expenses less income									(292)
Finance costs									(133)
Share of result of associates									3
Share of results of jointly controlled entities									(13)
Consolidated profit before taxation of the Group									1,926

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	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Turnover									
Segment revenue from external customers	21,920	1,728	3,270	285	469	82	383	–	28,137
Inter-segment revenue	370	3	–	620	257	–	70	(1,320)	–
Total segment revenue	22,290	1,731	3,270	905	726	82	453	(1,320)	28,137
Results									
Segment results	1,510	(11)	385	123	(11)	57	(30)	–	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

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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 associates and jointly controlled entities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 March 2013

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	17,168	623	3,078	630	812	109	2,711	–	25,131
Interests in associates									13
Interests in joint controlled entities									219
Unallocated corporate assets									3,700
Total consolidated assets									29,063
Liabilities									
Segment liabilities	7,595	162	1,996	416	685	47	622	–	11,523
Unallocated corporate liabilities									7,304
Total consolidated liabilities									18,827

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	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	13,526	233	2,510	283	291	150	568	–	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	1,517	193	367	52	163	–	8,105
Unallocated corporate liabilities									5,451
Total consolidated liabilities									13,556

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 associates and jointly controlled entities, 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 2013

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Included in measure of segment results or segment assets:									
Capital expenditure on:									
– Property, plant and equipment	513	2	51	97	1	130	269	–	1,063
– Prepaid lease payments for land	18	–	–	16	–	–	–	–	34
Depreciation of property, plant and equipment	192	12	44	22	–	9	23	–	302
(Gain) loss on disposal of property, plant and equipment	(2)	47	–	–	–	–	–	–	45
Impairment loss on trade receivables	7	–	34	1	–	–	–	–	42
Release of prepaid lease payments on land use rights	5	–	1	–	–	3	–	–	9
Write-down of inventories	33	12	20	6	–	–	9	–	80

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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	White appliances HK$ million	Property holding HK$ million	Others 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	9	44	86	–	720
– Prepaid lease payments for land	31	–	8	–	–	80	–	–	119
Depreciation of property, plant and equipment	150	13	26	16	–	9	14	–	228
Loss on disposal of property, plant and equipment	–	6	–	–	–	–	–	–	6
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)	1	–	4	–	7

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)*	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
PRC	**32,039**	24,791	**3,857**	2,947
Asia region (other than PRC)	**2,404**	1,221	**22**	29
America	**1,497**	914	**–**	–
Europe	**1,171**	808	**–**	–
Other regions	**713**	403	**1**	3
	37,824	28,137	**3,880**	2,979

Note: Non-current assets excluded other receivable, available-for-sale investments and deferred tax assets.

9. OTHER INCOME

	2013 HK$ million	2012 HK$ million
Other income comprises:		
Dividend income		
— listed investments	**–**	4
— unlisted investments	**5**	18
Government grants		
— related to expense items *(note 41)*	**162**	70
— related to assets *(note 41)*	**47**	22
— related to value-added-tax ("VAT") refund	**186**	160
	395	252
Imputed interest income from		
— trade receivables	**4**	3
— other receivable	**6**	6
Interest income from bank deposits	**63**	58
Others	**178**	144
	651	485

10. OTHER GAINS AND LOSSES

	2013 HK$ million	2012 HK$ million
Other gains and losses comprise:		
Exchange gains, net	**9**	169
Impairment loss recognised in respect of available-for-sale investments *(note 24)*	**(7)**	(170)
Loss from changes in fair value of financial assets classified as held for trading	**–**	(11)
Loss from changes in fair value of derivative financial instruments *(note 30)*	**(3)**	(23)
Loss on disposal of property, plant and equipment	**(45)**	(6)
	(46)	(41)

11. FINANCE COSTS

	2013 HK$ million	2012 HK$ million
Finance costs comprise:		
Interest on bank borrowings wholly repayable within five years	**110**	156
Imputed interest expenses on obligations arising from put options written to non-controlling interests *(note 37)*	**23**	21
	133	177

12. INCOME TAX EXPENSE

	2013 HK$ million	2012 HK$ million
Income tax expense comprise:		
PRC income tax		
Current year	**404**	294
Overprovision in prior years	**(1)**	(20)
	403	274
Deferred taxation *(note 25)*	**(71)**	34
	332	308

12. INCOME TAX EXPENSE *(Continued)*

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.

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 and the applicable tax rates of those subsidiaries are therefore 24% and 25% for the years ended 31 December 2011 and 2012 respectively.

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 expired on 31 December 2011.

For those subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

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. No deferred tax charge (2012: Deferred tax charge of HK$35 million) in respect of the additional undistributed earnings of subsidiaries has been recognised in profit or loss for the year.

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. Details of deferred taxation are set out in note 25.

12. INCOME TAX EXPENSE *(Continued)*

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

	2013 **HK$ million**	2012 HK$ million
Profit before taxation	**1,926**	1,576
Tax at applicable tax rate at 15% *(Note)*	**289**	236
Tax effect of expenses not deductible for tax purpose	**27**	83
Tax effect of income not taxable for tax purpose	**(34)**	(53)
Overprovision in prior years	**(1)**	(20)
Tax effect of tax losses not recognised	**42**	32
Utilisation of tax losses previously not recognised	**(16)**	(21)
Tax effect of share of results of jointly controlled entities	**2**	(5)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**24**	20
Deferred tax on undistributed earnings of PRC subsidiaries	**–**	35
Others	**(1)**	1
Income tax expense for the year	**332**	308

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%.

Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on a few subsidiaries of the Company for the years of assessments from 2002/2003 onwards in 2011. Up to 31 March 2013, estimated additional assessments for the years of assessment 2002/2003 to 2006/2007 were issued to the relevant subsidiaries. The amounts of tax were held over on condition that tax reserve certificate in the aggregate amount of HK$7,900,000 (2012: HK$5,300,000) were purchased up to 31 March 2013. Since the tax audit is at the fact finding stage with information and documents submitted are currently being reviewed by the IRD and views are being/will be exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with any degree of accuracy and no provision for any potential tax liability has been made in the consolidated financial statements up to this stage.

13. PROFIT FOR THE YEAR

	2013 HK$ million	2012 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Auditors' remunerations	9	8
Cost of inventories recognised as an expense including write-down of inventories of HK$80 million (2012: HK$7 million)	30,281	22,153
Cost of stock of properties recognised as an expense	105	–
Depreciation of property, plant and equipment	302	228
Impairment loss on trade receivables	42	28
Operating lease rentals in respect of land and buildings	91	59
Release of prepaid lease payments on land use rights	9	9
Rental income from leasing of properties less related outgoings of HK$32 million (2012: HK$28 million)	(51)	(54)
Research costs recognised as an expense (including staff costs of HK$239 million (2012: HK$126 million))	343	185
Share of income tax expense of associates	1	–
Share of income tax expense of jointly controlled entities	4	4
Staff costs:		
— Directors' and chief executive's emoluments *(note 14)*	101	62
— Related staff costs for research activities	239	126
— Salaries, bonus, retirement benefits and others of other staff	2,816	1,961
	3,156	2,149

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2013 HK$'000	2012 HK$'000
Directors' fees	4,420	1,536
Other emoluments:		
Basic salaries and allowances	8,096	10,657
Retirement benefits scheme contributions	202	223
Performance related incentive payments *(Note)*	79,816	41,858
Share-based payments	8,658	8,024
	101,192	62,298

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 2013.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The emoluments paid or payable to each of the directors and the chief executive 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
2013						
Executive directors:						
Zhang Xuebin (resigned on 1 April 2013)	592	1,876	24	46,133	7	48,632
Leung Chi Ching, Frederick *(Note 1)*	600	1,000	15	6,481	5	8,101
Lin Wei Ping	600	1,000	69	–	5	1,674
Yang Dongwen *(Note 2)*	592	1,939	37	24,483	3,251	30,302
Lu Rongchang	500	1,235	–	2,719	1,284	5,738
Shi Chi	–	1,046	57	–	4,106	5,209
	2,884	8,096	202	79,816	8,658	99,656
Independent non-executive directors:						
So Hon Cheung, Stephen	528	–	–	–	–	528
Li Weibin	528	–	–	–	–	528
Chan Wai Kay, Katherine	480	–	–	–	–	480
	1,536	–	–	–	–	1,536
Total directors' emoluments	4,420	8,096	202	79,816	8,658	101,192

14. DIRECTORS' AND CHIEF EXECUTIVE'S 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
2012						
Executive directors:						
Zhang Xuebin (resigned on 1 April 2013)	–	2,436	43	22,376	43	24,898
Ding Kai (passed away on 11 February 2012)	–	790	–	–	27	817
Leung Chi Ching, Frederick *(Note 1)*	–	1,600	12	4,940	27	6,579
Lin Wei Ping	–	1,600	66	–	19	1,685
Yang Dongwen *(Note 2)*	–	1,948	53	11,866	2,603	16,470
Lu Rongchang	–	1,729	–	2,676	2,439	6,844
Shi Chi	–	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

Notes:

1. Leung Chi Ching, Frederick is the chief financial officer of the Group.

2. Yang Dongwen is the chief executive officer of the Group and his emoluments disclosed above include those services rendered by him as the chief executive.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: 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 2013 are as follows:

	2013 **HK$ million**	2012 HK$ million
Basic salaries, allowances and benefits in kind	**2**	1
Retirement benefit scheme contributions	**–**	–
Performance related incentive payments *(Note)*	**10**	5
Share-based payments	**2**	2
	14	8

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 2013.

16. DIVIDENDS

	2013 **HK$ million**	2012 HK$ million
Dividends recognised as distribution during the year:		
2012 Final — HK10.0 cents (2012: 2011 final dividend HK9.0 cents) per share	**271**	235
2013 Interim — HK7.0 cents (2012: 2012 interim dividend HK5.5 cents) per share	**193**	146
	464	381

The final dividend of HK11.0 cents per share, totalling approximately HK$308 million, for the year ended 31 March 2013 is proposed by the directors of the Company on 26 June 2013. 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 2013.

16. DIVIDENDS *(Continued)*

	2013 HK$ million	2012 HK$ million
During the year, share dividends alternatives were offered as follows:		
2012 Final dividend (2012: 2011 Final dividend)		
Cash	**86**	121
Scrip dividends	**185**	114
	271	235
2013 Interim dividend (2012: 2012 interim dividend)		
Cash	**72**	57
Scrip dividends	**121**	89
	193	146
	464	381

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:

	2013 HK$ million	2012 HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**1,501**	1,252
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,735,023,092**	2,634,660,134
Effect of dilutive potential ordinary shares in respect of share options outstanding	**26,177,365**	70,513,371
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,761,200,457**	2,705,173,505

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 2013 and 2012.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$ million	Construction in progress HK$ million	Plant and machinery HK$ million	Furniture, equipment and motor vehicles HK$ million	Total HK$ million
COST					
At 1 April 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
Additions	116	657	143	147	1,063
Disposals	(148)	–	(74)	(74)	(296)
Reclassification	318	(330)	–	12	–
Exchange realignment	22	7	17	8	54
At 31 March 2013	1,962	731	1,377	495	4,565
DEPRECIATION					
At 1 April 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
Provided for the year	87	–	105	110	302
Eliminated on disposals	(104)	–	(66)	(70)	(240)
Exchange realignment	5	–	10	4	19
At 31 March 2013	421	–	832	244	1,497
CARRYING VALUES					
At 31 March 2013	1,541	731	545	251	3,068
At 31 March 2012	1,221	397	508	202	2,328

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$96 million (2012: HK$101 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:

	2013 HK$ million	2012 HK$ million
Leasehold land and buildings:		
In the PRC held under		
— long term leases	**35**	26
— medium-term leases	**502**	403
	537	429
In Hong Kong held under long term leases	**16**	17
	553	446
Buildings:		
In the PRC held under medium-term leases	**988**	775
	1,541	1,221
Construction in progress:		
In the PRC held under medium-term leases	**731**	397
	2,272	1,618

19. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2011	84
Transferred to property, plant and equipment *(Note)*	(73)
Exchange realignment	2
At 31 March 2012 and 2013	13
DEPRECIATION	
At 1 April 2011	7
Transferred to property, plant and equipment *(Note)*	(5)
At 31 March 2012 and 2013	2
CARRYING VALUES	
At 31 March 2012 and 2013	11

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

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

The fair value of the Group's investment properties at 31 March 2013 was approximately HK$65 million (2012: HK$48 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 investment properties shown above represent leasehold land and buildings in Hong Kong held under long term leases.

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2013 HK$ million	2012 HK$ million
Balance at 1 April	426	301
Additions	34	119
Released during the year	(9)	(9)
Exchange realignment	4	15
Balance at 31 March	455	426
Analysed for reporting purposes as:		
Non-current assets	445	416
Current assets	10	10
	455	426

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

	2013 HK$ million	2012 HK$ million
Capital contributions	10	6
Share of post-acquisition profits	3	–
	13	6

The following set out the particulars of the associates of the Group as at 31 March 2013 and 2012 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 associate	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group 2013	Effective interest held by the Group 2012	Principal business
深圳市錦富光電有限公司	Equity joint venture	PRC	RMB15,000,000	35%	35%	Manufacturing and sales of optical products and carry out research and products development
江蘇達創電器有限公司	Equity joint venture	PRC	RMB10,000,000	34%	n/a	Manufacturing and sales of consumer electronic products

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2013 HK$ million	2012 HK$ million
Non-current assets	5	6
Current assets	96	25
Current liabilities	(64)	(14)
	37	17
Group's share of net assets of associates	13	6
Turnover	138	19
Profit (loss) for the year	8	(1)
Group's share of profit for the year	3	–

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2013 HK$ million	2012 HK$ million
Cost of unlisted investments	191	181
Share of post-acquisition profits, net of dividends received	1	14
Exchange realignment	27	23
	219	218

The following sets out the particulars of the jointly controlled entity of the Group as at 31 March 2013 and 31 March 2012 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 jointly controlled entity	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group 2013	2012	Principal business
深圳市創維群欣安防科技有限公司	Equity joint venture	PRC	RMB45,000,000	50%	50%	Manufacture and sales of monitor systems

The Group 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.

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

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:

	2013 **HK$ million**	2012 HK$ million
Share of assets and liabilities attributable to the Group		
Non-current assets	**114**	118
Current assets	**238**	229
Current liabilities	**(128)**	(140)
Non-current liabilities	**(17)**	(1)
	207	206
Share of results attributable to the Group		
Total income	**307**	308
Total expenses	**(320)**	(278)
	(13)	30

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:

	2013 **HK$ million**	2012 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 US$14 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 US$14 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 US$14 million after a 5 year lock-up period from the date of capital injection.

23. OTHER RECEIVABLE *(Continued)*

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 Group does not expect such options to be exercised within one year from the end of the reporting period, accordingly, such receivable is classified as a non-current asset.

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

	2013 **HK$ million**	2012 HK$ million
Unlisted equity securities, at cost		
— in Hong Kong	**8**	8
— in the PRC	**202**	40
— in overseas	**30**	23
Less: Impairment loss recognised	**(18)**	(18)
	222	53
Listed equity securities		
— in Hong Kong, at fair values	**83**	90
	305	143

The unlisted equity securities 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$7 million (2012: HK$170 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 HK$ million *(Note 2)*	Others HK$ million *(Note 3)*	Total HK$ million
At 1 April 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
Credit to profit or loss	(2)	–	(11)	–	(58)	(71)
Charge to other comprehensive income	–	–	–	–	1	1
Exchange realignment	–	–	–	–	(1)	(1)
At 31 March 2013	(1)	(1)	(29)	103	(31)	41

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:

	2013 HK$ million	2012 HK$ million
Deferred tax assets	**(137)**	(60)
Deferred tax liabilities	**178**	172
	41	112

Notes:

(1) At the end of the reporting period, the Group has unutilised tax losses of HK$972 million (2012: HK$868 million) available for offset against future profits. Deferred tax asset has been recognised in respect of tax losses of HK$6 million (2012: HK$6 million). No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$966 million (2012: HK$862 million) due to the unpredictability of future profit streams.

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

	2013 HK$ million	2012 HK$ million
2013	**–**	103
2014	**28**	28
2015	**20**	21
2016	**67**	127
2017	**113**	139
2018	**170**	–
Carried forward indefinitely	**568**	444
	966	862

25. DEFERRED TAXATION *(Continued)*

Notes: (Continued)

(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$4,078 million (2012: HK$3,054 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) Amounts mainly represent 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

	2013 **HK$ million**	2012 HK$ million
Raw materials	**1,584**	889
Work in progress	**356**	237
Finished goods	**3,169**	2,025
	5,109	3,151

27. STOCK OF PROPERTIES

	2013 **HK$ million**	2012 HK$ million
Properties for sales		
— under development	**539**	40

Included in the properties under development are amounts of HK$496 million (2012: HK$40 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits received of HK$16 million (2012: HK$41 million) 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 white appliances in the PRC are generally settled by payment on delivery or bills issued by banks with maturity dates ranging from 90 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.

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

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, and other receivables, deposits and prepayments:

	2013	2012
	HK$ million	HK$ million
Within 30 days	**1,784**	1,077
31 to 60 days	**387**	265
61 to 90 days	**325**	224
91 to 365 days	**934**	637
Over 365 days	**413**	302
Trade receivables	**3,843**	2,505
Purchase deposits paid for materials	**360**	231
Receivables from government for refunds paid to customers on buying energy-saving products	**1,208**	–
VAT receivables	**329**	360
Other deposits paid, prepayments and other receivables	**473**	416
	6,213	3,512

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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,623 million (2012: HK$1,001 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$19 million (2012: HK$54 million) has credit period of over one year. During the year, receivables with principal amount of HK$21 million (2012: HK$22 million) have been recorded at initial recognition at its present value of HK$19 million (2012: HK$20 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 (2012: 5.4% to 6.65% per annum).

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

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

	2013	2012
	HK$ million	HK$ million
Overdue:		
Within 30 days	**644**	306
31 to 60 days	**184**	171
61 to 90 days	**144**	87
91 days or over	**651**	437
	1,623	1,001

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.

Movement in the allowance for doubtful debts is as follows:

	2013	2012
	HK$ million	HK$ million
Balance at 1 April	**92**	107
Impairment loss recognised on trade receivables	**42**	28
Amounts uncollectible written off	**(6)**	(46)
Exchange realignment	**2**	3
Balance at 31 March	**130**	92

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$130 million (2012: HK$92 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:

	2013 **HK$ million**	2012 HK$ million
Within 30 days	**1,388**	1,354
31 to 60 days	**1,267**	1,224
61 to 90 days	**2,108**	2,152
91 days or over	**3,519**	2,970
Bills endorsed to suppliers with recourse	**1,491**	1,049
Bills discounted to banks with recourse	**–**	369
	9,773	9,118

The carrying values of bills endorsed to suppliers and bills discounted to banks with recourse continue to be recognised as assets in the consolidated financial statements as the Group has not transferred the substantially risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. 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.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 **HK$ million**	2012 HK$ million
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Foreign currency forward contracts *(Note 1)*	**–**	3
Derivative under hedge accounting:		
Cross-currency interest rate swap *(Note 4)*	**(10)**	(20)
(Loss) gain from changes in fair value of derivative financial instruments comprise:		
Foreign currency forward contracts *(Note 1)*	**(5)**	(29)
Performance swap contract *(Note 2)*	**2**	1
Target redemption forward contracts *(Note 3)*	**–**	5
	(3)	(23)

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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

	2013	2012
	HK$ million	HK$ million
Assets		
Foreign currency forward contracts	**–**	3
Liabilities		
Cross-currency interest rate swap	**(10)**	(20)

Note 1: Foreign currency forward contracts

In prior years, the Group has entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 months/one year US$ loans from these banks for settlement in US$ payable to suppliers. At the same time, the Group (a) placed 6 months/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$ borrowings, 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 borrowings (equivalent to HK$123 million) and RMB100 million fixed deposits (equivalent to HK$123 million) were included in other bank borrowings and pledged bank deposits as disclosed in notes 34 and 40 respectively. Such arrangements are expired during the year.

During the year, no material interest income on the fixed deposits, exchange gain or loss, interest expenses on US$ borrowings are included in profit or loss. During the year ended 31 March 2012, related interest income on the fixed deposits of HK$4 million and exchange gain on US$ borrowings of HK$1 million are included in profit or loss, while the interest expenses on US$ borrowings of HK$2 million are included in finance costs.

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

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

At 31 March 2012, the fair value of the Group's foreign currency forward contracts was estimated to be an asset of HK$3 million. These amounts were determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the year, loss from changes in fair value of the foreign currency forward contracts amounting to HK$5 million (2012: HK$29 million) has been recognised in profit or loss.

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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 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$30,000,000 has interest payments in US$ at LIBOR per annum capped at 0.5% per annum and floating interest receipts in US$ at 1% plus LIBOR per annum for periods up to March 2013; and

- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2014, save for the event leading to the knock-out and termination contract as discussed below.

At each expiry dates:

(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 6.250 to 6.450, there would have no settlements.

The contract would be knocked-out and terminated when there are no settlements for an aggregate of twelve 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$10 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

Gain from change in fair value of HK$2 million in respect of this contract has been recognised in profit or loss for the year ended 31 March 2013. Such contract was knocked-out and terminated during the year.

During the year ended 31 March 2012, gain from change in fair value of HK$1 million in respect of another performance swap contract had been recognised in profit or loss. Such contract was knocked-out and terminated in the year ended 31 March 2012.

Note 3: Target redemption forward contracts

During the year ended 31 March 2012, the Group entered into a two-year target redemption forward contract with a bank, of which the purpose was to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US$.

The target redemption forward contract comprised 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.

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Note 3: Target redemption forward contracts *(Continued)*

At each expiry date:

(i) if the US$ to RMB spot exchange rate (the "Spot Rate 2") was greater than or equal to the lower barrier rate (buy US$/sell RMB at 6.0965, the "Lower Barrier Rate") and less than or equal to the upper barrier rate (buy US$/sell RMB at 6.5800, the "Upper Barrier Rate") 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 was greater than the Upper Barrier Rate, there would have no settlement;

(iii) if the Spot Rate 2 was less than the Lower Barrier Rate, 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 were no knock-out and termination features for losses.

A loss of HK$5 million in respect of this contract, together with another target redemption forward contract entered by the Group during the year ended 31 March 2012, had been recognised in profit or loss. Both contracts had been knocked-out and terminated in the year ended 31 March 2012.

Note 4: Cross-currency interest rate swap

The Group entered into a cross-currency interest rate swap 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 US$-LIBOR-BBA 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.

No changes in fair value (2012: loss of HK$6 million) has been recognised in other comprehensive income and accumulated in hedging reserve and HK$10 million (2012: HK$5 million) of the 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 notional amount as at the end of the reporting period is amounting to US$40,000,000 (equivalent to HK$311 million) (as at 31 March 2012: US$46,666,667 (equivalent to HK$362 million)). Details of such US$ 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 at 31 March 2012 was dividend receivable amounting to HK$18 million which was unsecured, interest-free and fully repaid during the year. The remaining balances at 31 March 2013 and 31 March 2012 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 were unsecured, interest-free and fully repaid during the year.

32. HELD FOR TRADING INVESTMENTS

	2013 **HK$ million**	2012 HK$ million
Listed securities:		
— Equity securities listed in Hong Kong	–	3

33. STRUCTURED BANK DEPOSITS

In prior year, the Group entered into certain equity-linked structured contract with banks with the aggregate principal sum of RMB182 million. 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. Such structured bank deposits were withdrew upon its maturity during the current year.

During the year, the Group entered into a commodities-linked structured contract with a bank of RMB20,000,000. The structured bank deposit is principal-protected yield enhancement bank deposit and contains embedded derivative, of which the return varies depending on the price of certain commodities. The fair value of such embedded derivative determined based on valuation provided by the counterparty bank on initial recognition and at the end of the reporting period are insignificant.

The structured bank deposit as at 31 March 2013 carries interest at rate ranging from 0% to 7.2% per annum which are determined by reference to the price of certain commodities at certain pre-determined dates.

34. PLEDGED BANK DEPOSITS, AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.01% to 3.00% per annum (2012: 0.01% to 3.10% per annum).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.35% to 2.60% per annum (2012: 0.50% to 3.25% per annum).

Included in bank balances and cash as at 31 March 2013 are restricted bank deposits of HK$16 million (2012: HK$41 million) which can only be applied to designated property projects of the Group.

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, and other payables:

	2013 HK$ million	2012 HK$ million
Within 30 days	2,425	1,449
31 to 60 days	766	658
61 to 90 days	650	574
91 days or over	356	393
Trade payables under endorsed bills	1,491	1,049
Trade payables	5,688	4,123
Accrued selling and distribution expenses	375	382
Accruals and other payables	626	549
Accrued staff costs	826	388
Deposits received for sales of goods	963	855
Deposits received for sales of properties	16	41
Other deposits received	371	253
Payables for purchase of property, plant and equipment	110	–
Sales rebate payable	513	392
VAT payable	98	124
	9,586	7,107

The maturity dates of trade payables under endorsed bills are less than six months from the end of the reporting period.

36. BILLS PAYABLE

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

	2013 HK$ million	2012 HK$ million
Within 30 days	509	250
31 to 60 days	417	188
61 to 90 days	235	175
91 days or over	538	328
	1,699	941

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 Shenzhen Skyworth Digital Technology Co., Ltd. ("SSDT"), a subsidiary of the Company, for the disposal of, in aggregate, 12% of the equity interests in SSDT 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 SSDT if they cease their employment services to SSDT 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 SSDT and RGB is obliged to buy the shares of SSDT from the Employees, when they cease their employment within 5 years after September 2007 and before the initial public offering of SSDT shares.

The shortfall of the cash consideration below the fair value of 12% SSDT shares at the date of disposal (based on a valuation carried out by Greater China Appraisal Limited, independent valuers not connected with the Group) of HK$212 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 2013, a liability of HK$193 million (2012: HK$160 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.

(b) On 20 November 2007, RGB entered into sale and purchase agreements with each of independent third parties, Mr. Li Pu, Mr. Ye Xiao Bin and 深圳市領優投資有限公司 (the "Purchasers"). Under the agreements, RGB agreed to dispose of, in aggregate, 16% of the equity interest in SSDT 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 SSDT 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.

As at 31 March 2013, 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$217 million (2012: non-current liability of HK$202 million) has been recognised and presented as a current liability in the consolidated statement of financial position.

37. OBLIGATIONS ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING INTERESTS *(Continued)*

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

	2013 HK$ million	2012 HK$ million
At the beginning of the year	**362**	308
Imputed interest expenses for the year	**23**	21
Changes in estimated redemption price regarding put options to the Employees recognised in equity	**31**	31
Dividends paid for the year	**(11)**	(10)
Exchange realignment	**5**	12
At the end of the year	**410**	362
Analysis as:		
Current liabilities	**410**	160
Non-current liabilities	**–**	202
	410	362

38. PROVISION FOR WARRANTY

	2013 HK$ million	2012 HK$ million
Balance at 1 April	**133**	93
Adjustment arising from use of revised defective rates	**–**	(3)
Additional provision in respect of current year's sales	**158**	136
Utilised	**(120)**	(97)
Exchange realignments	**2**	4
Balance at 31 March	**173**	133
Analysed for reporting purposes as:		
Current liabilities	**133**	101
Non-current liabilities	**40**	32
	173	133

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 AND ASSOCIATES

The amounts due to jointly controlled entities are non-trade balances which are unsecured, interest free and repayable on demand.

The amounts due to associates are trade balances which are unsecured, interest free and with credit terms of 30 days.

The following are aged analysis of the trade payables with associates presented based on the invoice date at the end of the reporting period:

	2013 **HK$ million**	2012 HK$ million
Amounts due to associates		
Within 30 days	**43**	–
31 to 60 days	**17**	–
61 to 90 days	**5**	–
	65	–

40. BANK BORROWINGS

	2013 **HK$ million**	2012 HK$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**–**	369
US$ loans associated with foreign currency forward contracts *(note 30 (Note 1))*	**–**	123
Other bank borrowings	**5,806**	3,791
	5,806	4,283
Secured	**3,282**	2,884
Unsecured	**2,524**	1,399
	5,806	4,283

40. BANK BORROWINGS *(Continued)*

	2013 HK$ million	2012 HK$ million
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	155	207
More than one year but not more than two years	–	155
	155	362
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	5,426	3,206
More than two years but not more than five years	225	715
	5,651	3,921
	5,806	4,283
Less: Amounts due within one year shown under current liabilities	(5,581)	(3,568)
Amounts shown under non-current liabilities	225	715

Included in the balance as at 31 March 2013 are fixed-rate bank borrowings of HK$2,788 million (2012: HK$391 million) and carry interest at rates ranging from 1.46% to 6.15% per annum (2012: 2.50% to 6.10% per annum). In addition, there is floating-rate bank borrowing amounting to US$40,000,000 as at 31 March 2013 (equivalent to HK$311 million) (2012: US$46,666,667 (equivalent to HK$362 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 1.10% to 8.60% per annum (2012: 0.92% to 7.61% per annum).

As at the end of the reporting period, the Group had US$ denominated bank borrowings of HK$5,165 million (2012: HK$3,866 million). All other bank borrowings are denominated in RMB.

41. DEFERRED INCOME

	2013 HK$ million	2012 HK$ million
Deferred income	706	336
Less: Amount to be recognised as income within one year included in current liabilities	–	(22)
Amount to be recognised as income after one year	706	314

Deferred income represents government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities. The policy has resulted in a credit to profit or loss in the current year of HK$209 million (2012: HK$92 million).

42. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2011, 31 March 2012 and 31 March 2013	10,000,000,000	1,000
Issued and fully paid:		
At 1 April 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
Issue of shares upon exercise of share options	20,945,000	2
Issue of shares under scrip dividend scheme	89,950,946	9
At 31 March 2013	2,803,431,469	280

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

Details of the exercise of share options during the two years ended 31 March 2013 are set out in note 44.

43. TRANSFERRED FINANCIAL ASSETS

The following were the Group's bills receivable that were transferred to suppliers or banks by endorsing or discounting those receivables on a full recourse basis. For certain bills receivable that were transferred to the Group's suppliers on a full resource basis but the substantial risks and rewards of the ownership of the bills receivable have not been transferred, taking into account the credit quality of the issuing banks, the Group continues to recognise the full carrying amount of those receivables and has recognised the associated liabilities as trade payables and bank borrowings as disclosed in notes 35 and 40, respectively.

These bills receivable and associated liabilities are carried at amortised cost in the Group's consolidated statement of financial position. The directors consider that the carrying amounts of such bills receivable and associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	2013		2012	
	Bills endorsed to suppliers with recourse HK$ million	**Bills discounted to banks with recourse HK$ million**	Bills endorsed to suppliers with recourse HK$ million	Bills discounted to banks with recourse HK$ million
Carrying amount of transferred assets	**1,491**	**–**	1,049	369
Carrying amount of associated liabilities	**(1,491)**	**–**	(1,049)	(369)
Net position	**–**	**–**	–	–

In addition to the above, the Group has transferred certain bills receivable to its suppliers to settle its payables through endorsing the bills to its suppliers with full recourse. As at 31 March 2013, the Group has derecognised these bills receivable and the payables to suppliers amounting to HK$258 million (2012: nil) in their entirety, which approximate their fair value as at 31 March 2013. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, taking into account the high credit quality of the issuing banks and the past settlement history of those issuing banks.

As at 31 March 2013, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to the suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills upon maturity, amounted to HK$258 million (2012: nil).

All the bills receivable endorsed to suppliers or discounted to banks have maturity dates of less than six months from the end of the respective reporting period.

No gain or loss was recognised at the date of transfer of the assets.

44. 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 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 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 70,165,500 (2012: 150,739,500) representing approximately 2.50% (2012: 5.60%) of the issued share capital of the Company as at the end of the reporting period.

44. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2013

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 2013:

Under 2002 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2013
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)	–

44. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2013 *(Continued)*

Under 2002 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2013
11 May 2007	1.048	11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	50,000	–	–	(50,000)	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	875,000	–	–	(875,000)	–
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,630,000	–	(755,000)	(875,000)	–
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 28 August 2012	927,000	–	(76,000)	(851,000)	–
		1 February 2008 to 31 January 2010	1 February 2010 to 28 August 2012	1,119,500	–	(194,500)	(925,000)	–
		1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	2,230,000	–	(1,224,000)	(1,006,000)	–
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	8,337,500	–	(7,151,000)	(1,186,500)	–
2 April 2008	0.712	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	666,500	–	–	(666,500)	–
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	916,500	–	(53,000)	(863,500)	–
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	1,202,000	–	(252,000)	(950,000)	–
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	2,225,000	–	(1,200,000)	(1,025,000)	–
				72,384,500	–	(11,655,500)	(60,729,000)	–

Notes:

(a) No share option was granted under 2002 Share Option Scheme during the year ended 31 March 2013.

(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 2013 was HK$3.25.

44. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2013 *(Continued)*

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Lapsed during the year	Outstanding at 31 March 2013
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	471,000	–	(66,500)	–	404,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	992,500	–	(254,000)	–	738,500
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	2,729,000	–	(1,564,500)	–	1,164,500
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	10,137,500	–	(7,303,500)	–	2,834,000
26 November 2008	0.415	26 November 2008 to 25 November 2011	26 November 2011 to 30 September 2018	25,000	–	(25,000)	–	–
		26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	100,000	–	(76,000)	–	24,000
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
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

44. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2013 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Lapsed during the year	Outstanding at 31 March 2013
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	3.310	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
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

44. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2013 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2012	Granted during the year *(Note c)*	Exercised during the year *(Note d)*	Lapsed during the year	Outstanding at 31 March 2013
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
29 November 2012	4.582	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	–	220,000	–	–	220,000
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	–	220,000	–	–	220,000
		29 November 2012 to 31 August 2015	1 September 2015 to 30 September 2018	–	220,000	–	–	220,000
		29 November 2012 to 31 August 2016	1 September 2016 to 30 September 2018	–	220,000	–	–	220,000
		29 November 2012 to 31 August 2017	1 September 2017 to 30 September 2018	–	220,000	–	–	220,000
				78,355,000	1,100,000	(9,289,500)	–	70,165,500

Notes:

(c) 1,100,000 share options were granted under 2008 Share Option Scheme during the year ended 31 March 2013.

(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 2013 was HK$4.28.

44. 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 e)*	Exercised during the year *(Note f)*	Lapsed 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
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

44. 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 e)*	Exercised during the year *(Note f)*	Lapsed during the year	Outstanding at 31 March 2012
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:

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

(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 2012 was HK$4.57.

44. 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 g)*	Exercised during the year *(Note h)*	Lapsed 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
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

44. 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 g)*	Exercised during the year *(Note h)*	Lapsed during the year	Outstanding at 31 March 2012
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
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

44. 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 g)*	Exercised during the year *(Note h)*	Lapsed during the year	Outstanding at 31 March 2012
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:

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

(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 2012 was HK$3.32.

45. 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$46 million (2012: HK$62 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 2013 are disclosed in note 44. A summary of which is presented below:

	2013 Number of share options	**2013** Weighted average exercise price HK$	2012 Number of share options	2012 Weighted average exercise price HK$
Outstanding at the beginning of the year	**150,739,500**	**2.660**	171,996,500	2.281
Granted during the year	**1,100,000**	**4.582**	7,900,000	3.957
Exercised during the year	**(20,945,000)**	**0.607**	(29,157,000)	0.775
Lapsed during the year	**(60,729,000)**	**1.541**	–	–
Outstanding at the end of the year	**70,165,500**	**4.271**	150,739,500	2.660
Exercisable at the end of the year	**9,745,500**		66,789,500	

45. SHARE-BASED PAYMENTS *(Continued)*

Note (i) Share options *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.727 (2012: HK$4.205). The share options outstanding as at 31 March 2013 have a weighted average remaining contractual life of 5.5 years (2012: 3.6 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2012: 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	Exercisable period	Fair value per option	Closing total fair value of options granted	Share price at date of grant	Exercise price	Expected life	Expected volatility	Expected dividend yield	Risk free interest rate	Sub-optimal factor
					HK$	HK$	HK$	HK$		%	%	%	
29 November 2012	220,000	Binomial model	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	1.5229	335,038	4.15	4.582	0.76 year	60.4739	4.3937	0.4373	12.84
29 November 2012	220,000	Binomial model	29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	1.5227	334,994	4.15	4,582	1.76 years	60.4739	4.3937	0.4373	12.84
29 November 2012	220,000	Binomial model	29 November 2012 to 31 August 2015	1 September 2015 to 30 September 2018	1.5204	334,488	4.15	4.582	2.76 years	60.4739	4.3937	0.4373	12.84
29 November 2012	220,000	Binomial model	29 November 2012 to 31 August 2016	1 September 2016 to 30 September 2018	1.5130	332,860	4.15	4.582	3.76 years	60.4739	4.3937	0.4373	12.84
29 November 2012	220,000	Binomial model	29 November 2012 to 31 August 2017	1 September 2017 to 30 September 2018	1.5001	330,022	4.15	4.582	4.76 years	60.4739	4.3937	0.4373	12.84
	1,100,000					1,667,402							

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$42 million (2012: HK$53 million) for the year in relation to share options granted by the Company.

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

The Group recognised in the total expense of HK$4 million for the year (2012: HK$9 million) in relation to sale of SSDT shares.

46. PLEDGE OF ASSETS

At 31 March 2013, 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$76 million (as at 31 March 2012: HK$79 million) and HK$50 million (as at 31 March 2012: HK$59 million) respectively; and

(b) pledged bank deposits of HK$623 million (2012: HK$630 million).

In addition, there were bills receivable discounted to banks with recourse of HK$369 million as at 31 March 2012 as disclosed in note 29. Such financial liabilities on bills discounted with recourse were settled during the year.

47. 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:

	2013 **HK$ million**	2012 HK$ million
Within one year	**38**	27
In the second to fifth year inclusive	**35**	22
Over five years	**3**	1
	76	50

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.

The Group as lessor

During the year, the Group earned rental income of HK$83 million (2012: HK$82 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:

	2013 **HK$ million**	2012 HK$ million
Within one year	**43**	52
In the second to fifth year inclusive	**20**	22
	63	74

48. CAPITAL COMMITMENTS

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

	2013 HK$ million	2012 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**52**	11
Factory buildings under development	**762**	735
	814	746
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**5**	10
Factory buildings under development	**–**	43
	5	53

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. LGD was established during the current year and the Group had injected an aggregate of US$20,000,000 (equivalent to HK$155 million) to LGD while the remaining US$113,400,000 (equivalent to HK$880 million) capital injection has not been made by the Group up to the end of the reporting period. Such investment is classified as available-for-sales investments as disclosed in note 24.

49. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2012 final dividend and 2013 interim dividend of HK$185 million (2012: 2011 final dividend of HK$114 million) and HK$121 million (2012: 2012 interim dividend of HK$89 million) respectively. Details are set out in note 16.

50. CONTINGENT LIABILITIES

As at 31 March 2012, RGB provided guarantee in respect of a bank borrowing granted to one of its jointly controlled entities amounting to HK$25 million. The directors considered that the fair value of this financial guarantee contract at its initial recognition was insignificant on the basis of short maturity periods and low applicable default rates. Such guarantee was expired during the year.

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.

51. 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 5% of the employees' relevant income capped at $1,000 per month before June 2012 or $1,250 per month on or after June 2012. 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 these funds by the Group at rates specified in the rules of these schemes.

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

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

	2013 **HK$ million**	2012 HK$ million
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**188**	134
Total retirement benefit scheme contributions	**189**	135

At both 31 March 2013 and 31 March 2012, there were no forfeited contributions available to offset future employers' contributions to the schemes.

52. RELATED PARTY TRANSACTIONS

Trading transactions

During the year, the Group has the following transactions with related parties:

Jointly controlled entities

	2013 HK$ million	2012 HK$ million
Advertising and promotional expenses paid	7	21
Sales of raw materials	5	12
Purchases of finished goods	–	4
Purchases of raw materials	20	38

An associate

	2013 HK$ million	2012 HK$ million
Purchases of raw materials	114	18

Compensation of key management personnel

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

	2013 HK$ million	2012 HK$ million
Short-term benefits	79	66
Post-employment benefits	1	1
Share-based payments	14	13
	94	80

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.

53. EVENT AFTER THE REPORTING PERIOD

On 11 March 2013, the Group announced the proposed spin-off of its business of the design, manufacture, sale and processing of LCD modules by way of a separate listing of the shares of Skyworth Display Technology Holdings Limited ("SDTHL"), a 83% owned subsidiary, on the Main Board of the Stock Exchange. The listing of the SDTHL shares pursuant to the proposed spin-off is subject to the listing approval, the final decisions of the board and of the board of directors of SDTHL.

On 22 April 2013, the Group announced another transaction relating to its digital set-top boxes business. The Group will inject its entire equity interests in SSDT, a joint stock limited company registered in the PRC which engaged in the digital set-top boxes business, to China Resources Jinhua Co., Ltd. ("China Resources Jinhua"), a joint stock limited company established under the law of the PRC whose A shares are listed on The Shenzhen Stock Exchange, in exchange for certain equity interest in China Resources Jinhua. Such transaction is subject to the approvals by the relevant PRC government authorities including the China Securities Regulatory Commission and State-owned Assets Supervision and Administration Commission of the State Council.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2013 and 31 March 2012 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 2013 *(Note a)*	Effective interest held by the Company 2012	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

53. 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 2013 *(Note a)*	2012	Principal activities
深圳創維－RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC *(Note c)*	Registered capital RMB700,000,000	100%	100%	Manufacture and sale of consumer electronic products
新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC *(Note d)*	Registered capital US$21,180,000	100%	100%	Manufacture of consumer electronic products and property holding
創維電子(內蒙古)有限公司	PRC *(Note c)*	Registered capital US$10,000,000	100%	100%	Manufacture and sale of consumer electronic products
創維平面顯示科技(深圳)有限公司	PRC *(Note c)*	Registered capital US$39,500,000	100%	100%	Manufacture of consumer electronic products and property holding
深圳創維精密科技有限公司	PRC *(Note c)*	Registered capital RMB20,000,000	100%	100%	Design, Manufacture and sale of moulds and related Products
創維集團有限公司 (前稱"創維投資(深圳)有限公司")	PRC *(Note c)*	Registered capital HK$1,830,000,000 (2012: 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

53. 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 2013 *(Note a)*	2012	Principal activities
Skyworth Multimedia International Limited 創維多媒體國際有限公司	Hong Kong	Ordinary shares HK$10,000	100%	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	100%	100%	Manufacture and sale of consumer electronic products
創維多媒體(深圳)有限公司	PRC *(Note d)*	Registered capital US$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
Shenzhen Skyworth Digital Technology Co., Ltd. 深圳創維數字技術股份有限公司	PRC *(Note e)*	Registered capital RMB120,000,000	70%	70%	Manufacture and sale of consumer electronic products and research and products development
利凱達應用電子(深圳)有限公司	PRC *(Note d)*	Registered capital US$1,200,000	94%	94%	Trading of consumer electronic products
創維汽車電子(深圳)有限公司	PRC *(Note c)*	Registered capital HK$35,000,000	100%	100%	Manufacture and sale of automobile electronic products
創維液晶器件(深圳)有限公司	PRC *(Note d)*	Registered capital HK$25,000,000	83%	84%	Manufacture and sale of consumer electronic products and research and products development

53. 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 2013 (Note a)	2012	Principal activities
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
Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司	Bermuda	Ordinary shares HK$100,000	83%	n/a	Investment holding

Notes:

(a) The Company directly holds the entire interest in Skyworth Holdings Limited, Skyworth Bond 2013 Co. Ltd. and Skyworth LCD Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares practically carry 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.

(e) The subsidiary is a joint stock limited company registered in the PRC.

None of the subsidiaries had any debt securities outstanding at 31 March 2013 or at any time during the year.

SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$ million	2012 HK$ million
Investments in subsidiaries	1,450	1,432
Amounts due from subsidiaries	3,448	3,421
Other current assets	4	1
Amounts due to subsidiaries	(413)	(176)
	4,489	4,678
Share capital	280	269
Share premium	2,396	2,085
Reserves	1,813	2,324
	4,489	4,678

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	**37,824**	28,137	24,339	22,769	15,387
Cost of sales	**(30,418)**	(22,181)	(19,676)	(17,896)	(12,282)
Gross profit	**7,406**	5,956	4,663	4,873	3,105
Other income	**651**	485	390	402	245
Other gains and losses	**(46)**	(41)	101	33	112
Selling and distribution expenses	**(4,554)**	(3,771)	(2,854)	(2,968)	(2,192)
General and administrative expenses	**(1,388)**	(906)	(696)	(680)	(570)
Finance costs	**(133)**	(177)	(139)	(122)	(125)
Gain on disposal of subsidiaries	**–**	–	–	–	43
Share of results of associates	**3**	–	–	–	–
Share of results of jointly controlled entities	**(13)**	30	29	14	9
Profit before taxation	**1,926**	1,576	1,494	1,552	627
Income tax expense	**(332)**	(308)	(213)	(226)	(124)
Profit for the year	**1,594**	1,268	1,281	1,326	503
Attributable to:					
Owners of the Company	**1,501**	1,252	1,174	1,251	460
Non-controlling interests	**93**	16	107	75	43
	1,594	1,268	1,281	1,326	503

ASSETS AND LIABILITIES

	At 31 March				
	2013	2012	2011	2010	2009
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	**29,063**	22,224	18,675	19,222	11,063
Total consolidated liabilities	**(18,827)**	(13,556)	(11,426)	(13,368)	(6,659)
Net assets	**10,236**	8,668	7,249	5,854	4,404
Attributable to:					
Owners of the Company	**9,969**	8,469	7,074	5,773	4,353
Non-controlling interests	**267**	199	175	81	51
	10,236	8,668	7,249	5,854	4,404

FINANCIAL REVIEW

For the year ended 31 March

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

	2013	2012	2011	2010	2009
OPERATING RESULTS					
Turnover	**37,824**	28,137	24,339	22,769	15,329
Operating profit (EBIT)	**2,036**	1,732	1,615	1,660	700
Profit attributable to owners of the Company	**1,501**	1,252	1,174	1,251	460
DATA PER SHARE (HK CENTS)					
Earnings per share — basic	**54.88**	47.52	45.90	52.32	20.15
Dividend per share	**18.00**	15.50	14.00	16.00	8.00
Dividend payout ratio — basic	**32.8%**	32.6%	30.5%	30.6%	39.7%
KEY STATISTICS					
Equity attributable to owners of the Company	**9,969**	8,469	7,074	5,773	4,353
Working capital	**6,955**	6,819	6,012	4,268	2,757
Cash position*	**2,949**	3,018	3,118	4,585	1,539
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**5,806**	3,791	3,612	968	147
Bills receivable	**9,773**	9,118	7,251	6,938	4,539
Trade receivables	**3,843**	2,505	2,051	1,584	1,403
Inventories	**5,109**	3,151	2,657	3,298	1,267
Capital expenditure**	**1,077**	720	475	339	322
Depreciation and amortisation	**311**	237	266	226	186
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**15.1**	14.8	16.6	21.7	10.6
Return on total assets (ROA) (%)	**5.2**	5.6	6.3	6.9	4.2
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**58.2**	44.8	51.1	16.8	3.4
Net debt to equity***	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.4**	1.6	1.6	1.3	1.4
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**120**	129	103	78	114
Inventories turnover period (days)****	**50**	48	55	47	48
Gross profit margin (%)	**19.6**	21.2	19.2	21.4	20.2
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**6.2**	7.0	7.7	8.3	5.8
Earnings before interest and taxation (EBIT) margin (%)	**5.4**	6.2	6.7	7.3	4.6
Profits margin (%)	**4.2**	4.5	4.8	5.8	3.0

* 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

*** Calculation based on (cash position + bills on hands – bank loans)/equity attributable to owners 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

Ms. Lin Wei Ping *(Executive Chairperson with effect from 1 April 2013)*
Mr. Zhang Xuebin *(Executive Chairperson resigned with effect from 1 April 2013)*
Mr. Yang Dongwen *(Chief Executive Officer)*
Mr. Leung Chi Ching, Frederick
Mr. Lu Rongchang
Mr. Shi Chi

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

Ms. Lin Wei Ping *(Chairperson with effect from 1 April 2013)*
Mr. Zhang Xuebin *(Resigned with effect from 1 April 2013)*
Mr. Yang Dongwen
Mr. Leung Chi Ching, Frederick
Mr. Lu Rongchang
Mr. Liu Tangzhi
Mr. Wang Dehui
Mr. Li Xiaofang
Mr. Guo Limin
Mr. Hu Zhaohui *(Resigned on 12 October 2012)*
Ms. Dong Ning
Ms. Shao Meifang
Mr. Sun Weizhong

Remuneration Committee

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

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 2012/2013

Results Announcement Date

Annual Results: 26 June 2013

Dividend Per Share

Final dividend: HK 11.0 cents

Dividend Payment Date

Final dividend: 18 October 2013

Closing Period of the Register of Members

Final dividend: From 4 September 2013 to 6 September 2013 both days inclusive

COMPANY WEBSITE

http://www.skyworth.com

Skyworth Digital Holdings Limited
Stock Code : 00751

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