Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

Annual Report 2013/14

CONTENTS

FINANCIAL HIGHLIGHTS

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

	2014	2013	Change
OPERATING RESULTS			
Turnover	**39,480**	37,824	+4.4%
Operating Profit (EBIT)	**1,837**	2,036	–9.8%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**2,243**	2,347	–4.4%
Net Profit for the year	**1,433**	1,594	–10.1%
Profit attributable to owners of the Company	**1,254**	1,501	–16.5%
FINANCIAL POSITION			
Net cash from (used in) operating activities	**4,507**	(524)	n/a
Cash position*	**4,595**	2,949	+55.8%
Bank borrowings	**5,703**	5,806	–1.8%
Bank borrowings excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**4,580**	5,806	–21.1%
Equity attributable to owners of the Company	**10,822**	9,969	+8.6%
Working capital	**6,679**	6,955	–4.0%
Bills receivable	**10,061**	9,773	+2.9%
Trade receivables	**4,347**	3,843	+13.1%
Inventories	**4,188**	5,109	–18.0%
KEY RATIOS			
Gross profit margin (%)	**19.3%**	19.6%	–0.3pp
Operating profit (EBIT) margin (%)	**4.7%**	5.4%	–0.7pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**5.7%**	6.2%	–0.5pp
Profit margin (%)	**3.6%**	4.2%	–0.6pp
Return on equity holders of the Company (ROE) (%)	**11.6%**	15.1%	–3.5pp
Debt to equity (%)**	**50.3%**	56.7%	–6.4pp
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**40.4%**	56.7%	–16.3pp
Net debt to equity***	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.3**	1.4	–7.1%
Trade receivable turnover period (days)****	**130**	122	+6.6%
Inventories turnover period (days) ****	**54**	50	+8.0%
DATA PER SHARE (HK CENTS)			
Earnings per share — Basic	**44.64**	54.88	–18.7%
Earnings per share — Diluted	**44.58**	54.36	–18.0%
Dividend per share	**15.00**	18.00	–16.7%
Dividend payout ratio	**33.6%**	32.8%	+0.8pp
Book value per share	**400.85**	365.18	+9.8%
SHARE INFORMATION AT FINANCIAL YEAR END			
Number of shares in issue (million)	**2,831**	2,803	+1.0%
Market capitalisation	**12,058**	14,606	–17.4%

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

** Bank borrowings/equity at year end

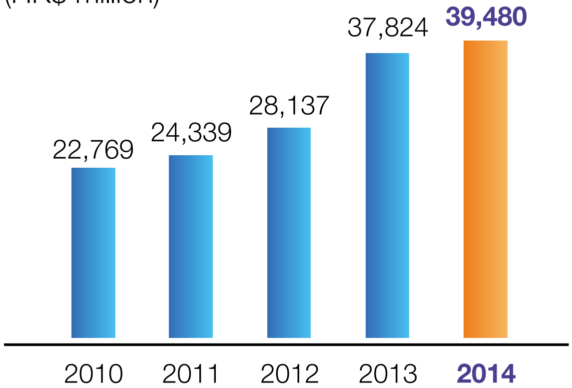
*** Calculation based on (cash position + bills receivable — bank borrowings)/equity at year end

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

FINANCIAL HIGHLIGHTS

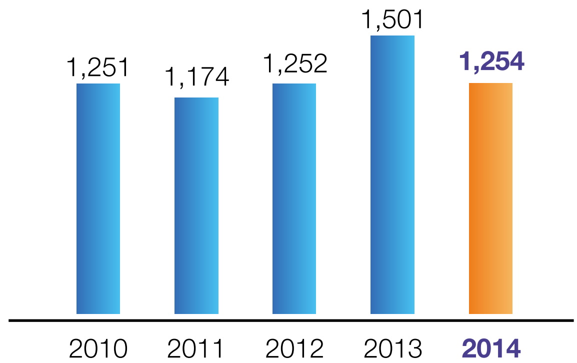
Turnover

(HK$ million)



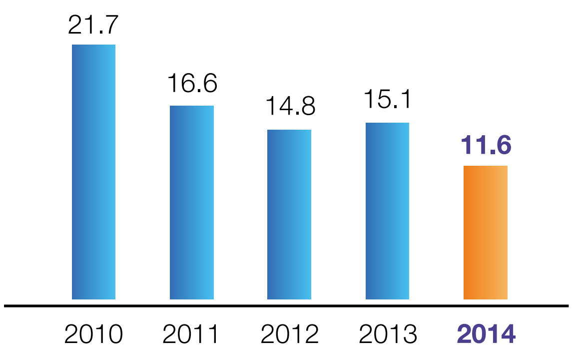
Profits Attributable to Owners of the Company

(HK$ million)



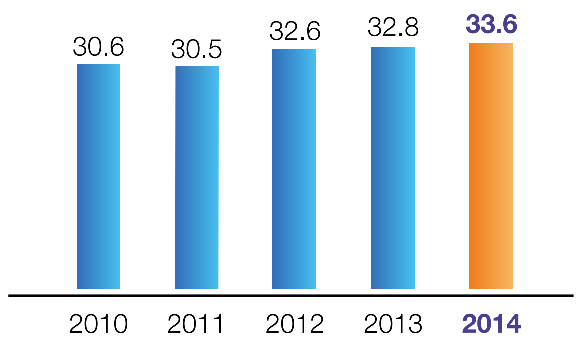
Return on Equity Holders of the Company (ROE)

(%)



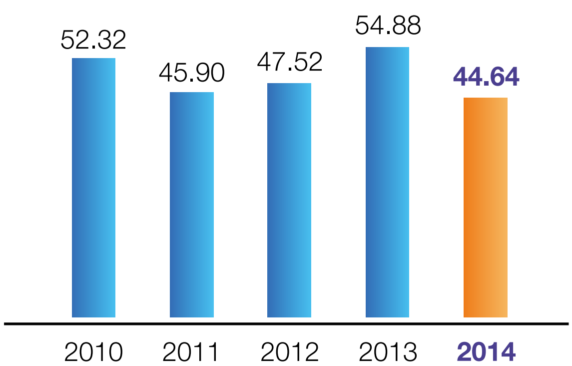
Dividend Payout Ratio

(%)



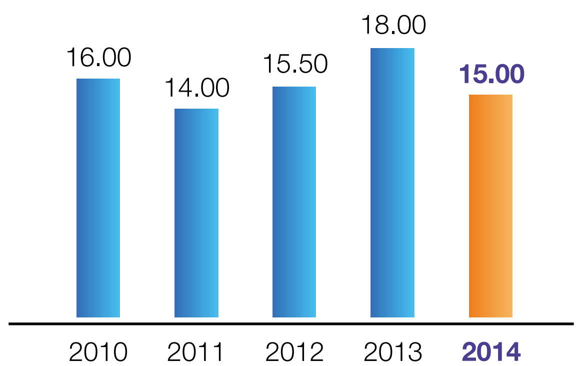
Earnings Per Share – Basic

(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 2014 (the "Reporting Year"):

- Turnover reached HK$39,480 million (82.9% from the mainland China market), an increase of 4.4% from that of the financial year ended 31 March 2013 (the "Previous Year").

- Sales of TV products, digital set-top boxes and white appliance products including tablet computers accounted for 74.7%, 10.5% and 6.4% of the Group's total turnover respectively.

- Gross profit achieved HK$7,629 million (HK$3,833 million in the first half year), increased by 3.0% year on year; and gross profit margin was 19.3% (19.1% in the first half year), decreased by 0.3 percentage points compared with that of the Previous Year.

- Profit for the year was HK$1,433 million, dropped by 10.1% from that of the Previous Year.

- Profit for the year attributable to the owners of the Company dropped by 16.5%, from HK$1,501 million of the Previous Year to HK$1,254 million.

- The Board has proposed a final dividend of HK6.5 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 33.6% for the whole year.

LETTER FROM EXECUTIVE CHAIRPERSON

Dear shareholders, partners and other stakeholders:

The Reporting Year was a challenge year, especially in the second half. After the expiration of energy savings subsidy program in May 2013, the demand for LCD TV in mainland China market has been continuously depressed. As a result, the annual sales volume target could not be achieved for the Reporting Year. The turnover was only recorded single digit growth of 4.4% to HK$39,480 million and net profit dropped by 10.1% to HK$1,433 million.

The negative growth in turnover of our core TV business unit was slightly compensated by stable growth in digital set-top boxes and white appliances business units. The turnover of the digital set-top boxes and white appliances business units recorded HK$4,162 million and HK$2,532 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$11,348 million representing an increase of 10.9% and the bank balances of the Group was HK$3,023 million at 31 March 2014.

The Board regrets that Mr. Leung Chi Ching, Frederick resigned as executive director, chief financial officer and company secretary with effect from 1 December 2013 for the reason that he needs more time to pursue his personal interests, Mr. Sun Shengdian resigned as independent non-executive director with effect from 18 March 2014 in order for him to comply with the new requirements of the relevant authorities of the People's Republic of China. On behalf of the Board, I must take this opportunity to thank them for their valuable contribution and dedication to the Group. The Board is pleased that Ms Chan Wai Kay, Katherine is re-designated from independent non-executive director to executive director with effect from 9 September 2013 and Mr. Wei Wei is appointed as independent non-executive director with effect from 18 March 2014. The Board would like to take this opportunity to welcome Ms. Chan and Mr. Wei.

LETTER FROM EXECUTIVE CHAIRPERSON

During the Reporting Year, 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 35,000 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
24 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall Business Review

The consolidated turnover of the Group for the financial year ended 31 March 2014 reached HK$39,480 million (2013: HK$37,824 million), representing a slightly increase of 4.4% compared with that of the financial year ended 31 March 2013. The profit for the year reached HK$1,433 million (2013: HK$1,594 million), dropped by 10.1%, year on year. Gross profit margin was 19.3% (2013: 19.6%), decreased by 0.3 percentage points compared with that of the Previous Year.

The demand for TV in the mainland China market continue to weaken after the expiration of the energy savings subsidy program in May 2013. As a result, the annual sales volume target could not be achieved for the Reporting Year. The total TV sales volume reached 11.35 million sets, 1.65 million sets less than expectation, of which the mainland China market accounted for 8.60 million sets, below target by 0.90 million sets; whilst the overseas markets accounted for 2.75 million sets, below target by 0.75 million sets.

Although the entrance of various non-TV makers into the TV industry along with their aggressive pricing strategy, coupled with the falling in panel prices has led to a decline in the selling price of TV products, and negatively impacted the financial results of the TV segment of the Group. In order to meet customers' expectation and in response to the constantly changing TV market, the Group continuously reformed its product structure and optimised its product mix. In addition, other business units of the Group, including digital set-top boxes, white appliances and LCD modules, performed positively and recorded a satisfactory result which greatly contributed to the Group's profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas markets were sluggish due to uncertainties of the emerging markets and the slowdown in European markets. Nevertheless, the Group reinforced in exploring areas in the South-East Asia, America and Africa regions, scaling up TV sales under Skyworth brand. Hence, the turnover in overseas markets increased by 16.5% compared to last year.

BUSINESS REVIEW BY GEOGRAPHICAL AND PRODUCT SEGMENTS

Mainland China Market

For the Reporting Year, sales in the mainland China market accounted for 82.9% of the Group's total turnover, recorded 2.2% growth from HK$32,039 million in the Previous Year to HK$32,739 million. The related gross profit margin was 20.8% (2013: 21.3%), representing a decrease of 0.5 percentage points year on year.

The Group's sales of TV in mainland China market accounted for 80.2% of the total domestic turnover. The sales of digital set-top boxes, white appliances and LCD modules accounted for 7.0%, 5.4% and 1.6%, respectively. Other business units include those engaged in rental collection, lighting products, property development and other electronic products etc., attributed the remaining 5.8%.

TV products

Although the Group has implemented "Dual platform, Dual brand" sales strategy during the Reporting Year, due to the impact of the expiration of energy savings subsidy program in May 2013, the sales volume recorded a negative growth in the second half-year period. The TV sales revenue in mainland China market was HK$26,244 million (2013: HK$27,737 million), dropped by 5.4%.

To enhance the competitive advantage by promoting new TV products, the Group continues to position its brand by integrating with "focal health technologies", and capable to orient our customers' needs by mobilising our technology innovation and by utilising adequate market insights. In 2013, the Group stormed the market by our 4Kx2K ultra high definition ("UHD") panels Cloud TVs ("4K Cloud TVs") and greatly increased its market shares and maintained as market No.1 leader. Being thoroughly recognised by the market, five TV models under three series, "65E900U", "65/55/50E790U" and "58E780U" of the Group were the first slot to obtain the "4K Ultra High Definition Recognition" from the China Electronics Standardization Institute ("CESI").

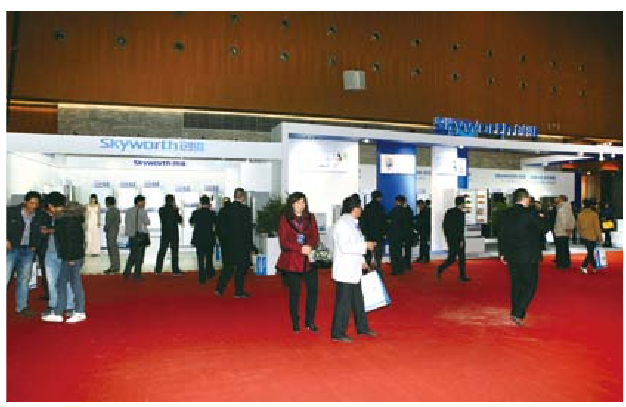
MANAGEMENT DISCUSSION AND ANALYSIS

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 2014 are as follows:

	Ranking	Market share
All TV		
— Volume	1	16.8%
— Revenue	1	15.7%
LCD TV (included CCFL and LED LCD TV)		
— Volume	1	17.4%
— Revenue	1	16.3%
3D TV (included CCFL and LED LCD TV)		
— Volume	1	25.4%
— Revenue	1	20.0%

Despite the weakness in demand, the Group's TV products still maintain its market leading position principally attributed by our capability to satisfy our core customers' needs. During the Reporting Year, over 8.60 million LED LCD TVs under Skyworth brand were sold in mainland China, representing an increase of 2.4% compared to that of the Previous Year. In which 2.62 million sets refers to the sales of Cloud TVs, accounted for 30.5% of the Group's total TV sales in mainland China, whilst the sales volume of 3D LED LCD TVs has reached 1.62 million, represented 18.8% of the Group's total TV sales in mainland China market.

To anticipate the home internet era, the Group being the industry leader has intuitively formed a strategic partnership with Alibaba Group and debut three series of "Coocaa" smart TV ("Coocaa TV") which embedded with Alibaba's application such as "Juhuasuan.com" and "Alipay" etc. In addition, the Group devoted more resources in research and development ("R&D") in innovations, and launched the second brand "Coocaa", which is a home internet based model, and commenced sales on 10 September 2013. During the "double eleven" event in 2013, the Group recorded a satisfactory sales result and exploited a new realm for the TV markets. In the awarding ceremony of "China Home Appliance Online Shopping Summit Forum", Coocaa TV won the "2013 China Home Appliance Online Shopping Most Popular Brand" together with the Coocaa TV 42K1 Dream Version, won the "2013 China Home Appliance Online Shopping Most Popular Product".



MANAGEMENT DISCUSSION AND ANALYSIS

Having reliance on the leading technology and advanced innovative concept, the Group continuously develops high ended and high value added products which consequently having our TV products awarded. The Group's award winning products strengthen brand awareness that enhance the financial performance of the Group. During the Reporting Year, key awards achieved by the Group include:

- Within the best listed companies of Asia-Pacific Region in the year 2013 released by Forbes, the Company was granted "Fabulous TOP Fifty Listed Enterprises of Asia-Pacific Region in 2013".

- The Skyworth "Memory Share" TV has received the "Red Dot Concept Award" organised and held by the design and promotion center of Zentrum Nordhein Westfalen.

- In the "2013 (9th) China Digital TV Industry Development Summit Forum", Skyworth was awarded as the "2013 Best Rated Flat-panel TV Brand". Skyworth UHD 4K Cloud TV E780U series also won the "2013 Top Ten Flat-panel TVs" award.

- In the "2013 Third China Product Innovation Summit Forum", Skyworth was awarded as the "2013 China's Top Ten Innovative Producers (manufacturing section)".

- In the awarding ceremony of the "10th Shenzhen Top Brand", Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("Chuangwei-RGB", a wholly owned subsidiary of the Company), was awarded "Shenzhen Famous Brand".

- In the "2013 Second Quarter Economic Operation of China Electronic Information Industry and the Color TV Industry Research Conference", Skyworth 50E780U TV was granted the "2013 Innovative UHD Product of China Color TV Industry", whilst Skyworth 4K real-time system won the award of "2013 Innovative UHD Technology of China Color TV Industry".

MANAGEMENT DISCUSSION AND ANALYSIS

- In the “Press Conference of the Sixth National After-sales Service Evaluation Event and the Forum of Service Creating New Values”, Skyworth was honored with the title of “Top Ten Enterprises with Excellent After-sales Service in China” with our excellent service quality and became the only domestic enterprise having the honor.

- In the “8th Chinese Electronics Enterprises Brand Value Assessment” activity, Chuangwei-RGB has been awarded the honor of “2013 Top 10 Fastest Value Growing Brands”. It has also been honored No.1 in both “2013 The Most Valuable Flat Panel TV Brand” and “2013 The Most Valuable China Home Internet Product” and has been titled “2013 Top 3 China Electronic Set-top Boxes Brand”.

- In the “2013 China Audio and Video Industrial Technology and Application Trends Forum and China Digital TV Industrial Chain Report”, the Group was awarded the “2013 China Audio and Video Innovative Industrial Application”, its 4K graphic engine was awarded the “China Audio and Video Innovative Industrial Technology” and the 65E900U 4K Cloud TV with full color range was awarded the “China Audio and Video Innovative Industrial Product”.

Digital set-top boxes

The turnover of digital set-top boxes in mainland China market recorded HK$2,297 million (2013: HK$1,898 million), representing an increase of 21.0% or HK$399 million compared with that of the Previous Year.

The Group’s digital set-top boxes have been occupying the leading position in mainland China market consecutively. The “i.Kan” brand of the Group was awarded “Shenzhen Top Brand” in the awarding ceremony of the “10th Shenzhen Top Brand”, which further enhanced its brand awareness and reinforced its exceptional leading position amongst competitors in the market. During the Reporting Year, taking advantage of the strong demand on high definition (“HD”) set-top boxes, the Group successfully introduced a variety of HD products according to different markets’ needs through different distribution channels. This resulted in a significant increment for the sales portion of HD products and driven up the overall turnover. Meanwhile, the Group won additional bids for the programs of live broadcast satellite launched by the State Administration of Radio, Film and Television as well as successfully developed in new provinces which led to a dramatic increase in sales volume and turnover when compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS

White Appliances

For the Reporting Year, the turnover of white appliances in mainland China market recorded HK$1,778 million (2013: HK$1,093 million), representing a magnificent increase of 62.7% or HK$685 million.

Benefited from the urbanisation process in mainland China which created a booming demand for white appliances especially in the third and fourth tier cities. The Group seized this opportunity to build up customer's confidence on its white appliances products by continuously develops new products that best suit the market needs and imposed a stringent quality control. Together with a series of new products debut promotion campaigns and television advertisement launched during the Reporting Year, the Group aimed to develop its brand image and to draw customers' attention. Apart from effectively utilising the Group's existing sales network and e-commerce platform, the Group also maintained a close strategic partnership with the large scale chain stores and established image designed halls. This has significantly improved our market share in the white appliances market and marked a favorable result for the Reporting Year.

LCD Modules

For the Reporting Year, the turnover of LCD modules in mainland China recorded HK$511 million (2013: HK$314 million), representing a substantial increase of 62.7% or HK$197 million.

During the Reporting Year, in order to cope with the rising demand from the customers, LCD modules continues to expand its production scale and capacity. It continuously transforms to higher-ended and more diversified products. During the year, owing to its excellent customer base and quality control, with customers' trust and support, boosted up its sales orders. In addition, the self-designed small and medium size modules received a passionate response from the customers which brought a significant contribution to the results.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas Market

For the Reporting Year, the turnover generated from overseas markets accounted for HK$6,741 million (2013: HK$5,785 million), equivalent to 17.1% of overall turnover (2013: 15.3%), roared by HK$956 million or 16.5%. The gross profit margin was 12.1% (2013: 9.7%), representing an increase of 2.4 percentage points compared with that of the Previous Year.

TV products

For the Reporting Year, the turnover of overseas TV products was HK$3,240 million (2013: HK$3,108 million), equivalent to 48.1% (2013: 53.7%) of the total overseas turnover and which has grew by 4.2%. Although the sales volume of cathode ray tube ("CRT") TVs dropped by 59.0% to 0.21 million sets, the sales volume of flat panel TV grew up by 15.0% to 2.54 million sets. The overall sales volume increased by 1.0% to 2.75 million sets. The Group further strengthened its overseas supply chain management and reinforced the cost control on medium and low-ended products, which greatly improved the selling price and the gross profit margins.

Aside from OEM manufacturing, our Skyworth brand products have gained more awareness from overseas customers, resulting in a rise in own brand turnover which amounted to HK$302 million (2013: HK$232 million). For the Reporting Year, the Group strategically allied with agencies to explore new sales channels, continuously penetrated own brand into the emerging markets and diversified its product mix by targeting different customers' needs. Hence, the overseas turnover of the Skyworth brand has increased steadily.

Digital set-top boxes

The turnover of overseas digital set-top boxes for the Reporting Year has dropped by 7.1% to HK$1,865 million (2013: HK$2,008 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group actively seizes the opportunity of large-scale digital conversion appeared in emerging markets. Other than maintaining a close cooperation with operators in India, it also opens up business relationship with top tier operators in other markets such as Thailand, Indonesia and Vietnam. This led to an increase in sales volume in the first half of the Reporting Year. However, due to a slowdown of economic growth in Asia Pacific region and instability in some countries, the sales volume in second half of the Reporting Year is hammered, and therefore impacted the overall turnover. Although the performance in overseas market was disappointing, the Group will revisit its strategy in overseas market and continue to sustain market demand by optimising its product mix. Moreover, the digital set-top boxes business yet will keep on further explore opportunities in Eastern Europe, Russia, Africa and South America, perfecting its after-sales service system, so as to consolidate its position in the overseas market.

White Appliances

The turnover of white appliances (mainly tablet computers) in overseas market recorded HK$754 million (2013: HK$598 million), representing an increase of 26.1% or HK$156 million compared to last year.

The Group continuously devotes in R&D in order to deliver products with different features and with reliable quality. It also unveiled its self-designed products under its own brand. The "Skypad S10" was awarded as the "Best Value Tablet PC" by HWM (issued in September, 2013), the most popular magazine on electronic science and technology in Philippine. This favourable market feedback has once again proved the Skyworth brand is widely recognised and entrusted by overseas customers. At the same time, the Group will strengthen our brand's influence in overseas markets and pave the way for raising its overseas sales to the next level.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical distribution in overseas markets

During the Reporting Year, the Group's major overseas markets are in Asia, America and Europe, which contributed 87.0% (2013: 88.0%) of the total overseas turnover. In which the turnover from America market rose 6.0 percentage points. Middle East, Africa, Australia and New Zealand markets accounted for 13.0% of the total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	twelve months ended 31 March	
	2014	2013
	(%)	(%)
Asia (including Japan, Korea, Vietnam, etc.)	**42**	42
America	**32**	26
Europe	**13**	20
Africa	**8**	5
Middle East	**4**	6
Australia and New Zealand	**1**	1
	100	100

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

For the Reporting Year, the overall gross profit margin of the Group dropped 0.3 percentage points from 19.6% to 19.3% year on year.

Year 2013 was a revolution year to the conservative TV industry which blinked transformation from Smart TVs to Home Internet TVs. Severe competition was posed between the traditional TV manufacturers and the cross-industry competitors. New entrants from non-TV makers induced market with their aggressive pricing strategies, leaving no choice to the traditional TV manufacturers to cope with the trend so as to maintain its market shares, which put pressure on the gross profit margin. Furthermore, the labor headcounts and the minimum wages in China have been increased substantially, causing an increment to the staff overheads and thus the production cost has also gone up. Although the Group has launched high-end Cloud TV products in the second half-year period, there was no significant rebound in the overall gross profit margin.

Going forward, in an effort to improve our gross profit margin, the Group will carry out a series of policies in respect of effective cost and quality control, also to implement better control on labor headcount to prevent the over-scaling.

Selling and Distribution Expenses

The Group's selling and distribution ("S&D") expenses mainly comprised 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 8.1% or HK$371 million from last year to HK$4,925 million. The ratio of S&D expense to turnover increased 0.5 percentage points from 12.0% to 12.5%.

During the Reporting Year, in order to match with the initiation of 4K Cloud TVs, the Group launched various promotions such as outdoor mega boards projects and advertised through TV and internet media. The Group also devoted more resources in rural areas to reinforce our Skyworth brand influence that increased the advertising expenses by 15.0%. In addition, the large panel size trends and growth in sales of white appliances products have increased the transportation costs by 23.6% as compared to last year.

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 will maximise stakeholder interests in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$257 million or 18.5% to HK$1,645 million. The G&A expenses to turnover ratio for the year have increased by 0.5 percentage points to 4.2%.

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$238 million or 69.4% in R&D expenses. In addition, the staff salary and welfare increased by HK$32 million, or 8.5% due to the increase in minimum wages and the performance related bonus. Other expenses did not change significantly, compared with that of last year.

Management of the Group believes that maintaining a high standard of control to the G&A expenses will be the benefits of the Group. Management regularly reviews and updates controls and procedures to ensure that cost objectives can be achieved.

Inventory Control

The net carrying value of the Group's inventory reached HK$4,188 million (2013: HK$5,109 million) as at the Reporting Year ended, representing a decrease of HK$921 million or 18.0% compared with that at 31 March 2013.

After the expiration of the energy savings subsidy program, the demand for TVs in the mainland China market dropped and the sales volume in the second half of the Reporting Year showed a negative growth. After revisiting the actual market situation, the Group reduced the reserve of finished goods, and simultaneously adjusted the procurement and production plans, in order to suppress the inventory level of raw material. On the other hand, the Group accelerated the cleanup process on wastage, obsolete and slow-moving materials, which effectively lower the net realisable value of inventory.

At the end of the Reporting Year, the inventory turnover days were 54 days (2013: 50 days), increased by 4 days when compared to the last year ended. This reflects the switching speed of the products is slowed down due to the market downturn.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables and bills receivable

At the end of the Reporting Year, the Group had a total of HK$14,408 million (2013: HK$13,616 million) trade receivables and bills receivable, increased by HK$792 million or 5.8% compared to that as at 31 March 2013. Trade receivables increased by HK$504 million or 13.1% to HK$4,347 million, whilst bills receivable increased by HK$288 million or 2.9% to HK$10,061 million.

During the Reporting Year, the turnover of digital set-top boxes in mainland China market and the turnover of white appliances recorded a significant increase when compared to last year. Such increase led to a rise in amount of trade receivables and bills receivable. The major customers for digital set-top boxes in mainland China market are the cable television operators under the national, provincial and municipal administered radio and television. As these customers' sales are expanding and they enjoy a longer payment terms, the trade receivables increase correspondingly. The business unit of digital set-top boxes has established a customer rating policy to determine the proper credit terms and credit amounts for each customer. It also developed a tracking procedure to follow up on the receivables systematically, aiming to accelerate the duration of cash recovery.

Trade payables and bills payable

At the end of the Reporting Year, the Group's trade payables and bills payable amounted to HK$4,805 million (2013: HK$5,688 million) and HK$4,094 million (2013: HK$1,699 million) respectively. As compared with that as at 31 March 2013, the trade payables decreased by HK$883 million or 15.5%; while the bills payable increased by HK$2,395 million or 141.0% dramatically.

For the Reporting Year, the Group adopted a prudent procurement plan. In addition, by considering the cost-effectiveness and taking advantage of the newly established finance company, the Group used bills issued by finance company to settle suppliers' accounts, so as to gradually replace the usage of endorsed bills. This resulted in a decrease in trade payables while increase in bills payable at the end of the Reporting Year. At the same time, in order to maintain the Group's creditability, it further improves the clearing policy and settlement management system which could enhance the ability to monitor settlement, the accuracy of information for settlement and the timeliness of payment.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy to maintain a stable financial growth. At the end of the Reporting Year, the Group's net current assets amounted to HK$6,679 million (2013: HK$6,955 million), decreased by HK$276 million or 4.0% from 31 March 2013. Bank balances and cash amounted to HK$3,023 million (2013: HK$2,301 million), representing an increase of HK$722 million, compared with that as at 31 March 2013. Pledged bank deposits amounted to HK$1,572 million (2013: HK$623 million) increased by HK$949 million while nil balance for the structured bank deposit (2013: HK$25 million). The extensive increment in pledged bank deposits when compared to last year, was due to the corresponding collateral of the foreign currency forward contracts signed between the Group and a financial institution. For detail disclosure, please refer to note 35 to the consolidated financial statement in the annual report.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$1,572 million pledged bank deposits (2013: HK$623 million) as well as certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$92 million (2013: HK$126 million) as at the end of the Reporting Year.

The Group adheres to its principle of prudence and committed to maintain a healthy financial position. At the end of the Reporting Year, total bank loans amounted to HK$5,703 million (2013: HK$5,806 million). Equity attributable to owners of the Company amounted to HK$10,822 million (2013: HK$9,969 million). The debt to equity ratio is revealed as 50.3% (2013: 56.7%). 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 situate in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"); others are denominated in Hong Kong dollars and US dollars. The Group uses general trade financing to fulfill the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. During the Reporting Year, the Group recognised HK$31 million net foreign exchange losses (2013: HK$9 million net foreign exchange gains) associated with general operation.

The management regularly reviews the foreign currency and interest rate exposure, in order to determine the need on hedging. During the Reporting Year, the Group has entered into financial arrangements with a bank in foreign currency forward contracts of which the purpose is to manage the Group's foreign currency exposure partially arising from its US dollars payables. For details of the arrangements, please refer to note 39 to the consolidated financial statement in the annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, the Group invested in new production lines and energy-saving facilities in production plants located at Guangzhou, Inner Mongolia, Nanjing, Yichun and Shenzhen in order to cope with the expanding production scale and improving production capacity. It also invested approximately HK$1,202 million in the construction of a new headquarters in Shenzhen and improvement of the production plants' facilities. The Group had spent approximately HK$626 million on ancillary machinery in production lines and other equipment; and has planned to further invest HK$630 million on plants and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

During the Reporting Year, in order to enhance centralised fund management, improve the efficiency of fund utilisation and optimise resource allocation within the Group, Skyworth Group Limited (a wholly-owned subsidiary of the Company registered in China), invested about HK$1,267 million (equivalent to RMB1,000 million) to establish Skyworth Group Finance Company Limited ("Finance Company"). On 5 September 2013, the China Banking Regulatory Commission ("CBRC") issued a certificate to Finance Company authorising the commencement of business as the finance institution of the Group.

Resource integration is a crucial strategy to target good qualities for product elements. The Group invested HK$553 million in technological R&D through direct investments or available-for-sale investments in TV related industries, to constitute supports for more integrated TV products development.

CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of 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

As at 31 March 2014, the Group had over 35,000 (2013: 33,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 41 branches and 206 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

It is anticipated that the economic environment will become complex and elusive. Since there is still a downside pressure on the China economy and the TV market has reached a mature stage, the growth of TV market in 2014 will expect to slowdown. However, the Group believes that with our advanced products technologies, we can overcome all sort of competitions and be able to sustain our leading position in the market. Hence, the Group projects an aggregated annual target of 12.0 million sets TV sales volume for the Financial Year 2014/15, 9.0 million sets (including 1.8 million 4K Cloud TVs and 3.6 million Cloud TVs) in mainland China market and 3.0 million sets in the overseas market respectively.

The Group expects the narrow border, thinner and large size TVs to be the major market demand in 2014. It is expected that the 4K UHD TVs will be further universalised; the Cloud TVs will increase its market penetration; whereas the Organic Light-Emitting Diode TVs ("OLED TVs") will start to open up its epoch. The Group will grasp the opportunity of the TVs replacement demand in urban and rural areas, the growing demand of Cloud TVs driven by the improvement in high-speed broadband network, so as to strengthen its develop in self-controlled channels, operations and e-commerce channels. In order to achieve the annual sales volume target, the Group will leverage on its "Dual platform, Dual brand" sales strategy to roll out more diversified products and accelerate the new products replacement cycle.

At the same time, management also realise that Internet is changing from value transmission to value creation. The Group will re-design its management models and processes, by inviting customers to participate in product defining, design and marketing activities, in order to achieve a truly customer-oriented and a win-win situation for the Group and its customers.

For overseas markets, the Group will continue to operate with cautious. Apart from keep on exploring the growth in the Asia and American markets, we will also try to strengthen the market shares in Europe, Middle East and Russia etc., in order to secure our position in the overseas markets. To achieve the annual target of sales growth, the Group will accelerate the penetration of middle to high-end products in the overseas market.

Last but not least, the Group will gradually formulate various types of sharing platforms in order to facilitate collaboration between business units, both in operation and finance function. The Group will also continue to promote and strengthen strategic partnership with external parties, and to promote the development of key and emerging business units, with a goal to generate favorable return for our shareholders.

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 2014 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 (the "Board") of the Company 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 40 to 49 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 strategic management. 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 (the "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.

Continuous Professional Development

On appointment to the Board, each Director will attend an introduction covering the general, statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company provides the Directors with regular updates relating to the Group's business.

All Directors have complied with the Code in relation to continuous professional development. This has involved various forms of activities including attending presentation given by external advisors and reading materials relevant to the Company's business, directors' duties and responsibilities.

General meetings

The annual general meeting and other general meeting of the Company are the primary communication with the shareholders and for shareholders' participation. All shareholders are welcomed to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf. Other than shareholders' participation, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year ended 31 March 2014, other than annual general meeting, one special general meeting was held to approve a conditional special dividend.

The attendance of individual members at general meetings held during the year ended 31 March 2014 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Ms. Lin Wei Ping	2/2	100%
Mr. Yang Dongwen	2/2	100%
Mr. Lu Rongchang	2/2	100%
Mr. Shi Chi	1/2	50%
Ms. Chan Wai Kay, Katherine (Re-designated from INED to ED with effect from 9 September 2013)	2/2	100%
Mr. Leung Chi Ching, Frederick (Resigned with effect from 1 December 2013)	2/2	100%
Independent non-executive Directors:		
Mr. So Hon Cheung, Stephen	2/2	100%
Mr. Li Weibin	1/2	50%
Mr. Wei Wei (Appointed with effect from 18 March 2014)	0/0	N/A
Mr. Sun Shengdian (Appointed with effect from 23 September 2013, and resigned with effect from 18 March 2014)	0/0	N/A

Board, executive meetings and corporate governance function

The Board held a total of eight meetings during the year ended 31 March 2014. Of these, two meetings were held mainly for approving the 2012/13 final results and the 2013/14 interim results of the Company; the other meetings were held to consider important issues of the Group and review policies related to corporate governance.

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 2014 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Ms. Lin Wei Ping	8/8	100%
Mr. Yang Dongwen	8/8	100%
Mr. Lu Rongchang	8/8	100%
Mr. Shi Chi	8/8	100%
Ms. Chan Wai Kay, Katherine (Re-designated from INED to ED with effect from 9 September 2013)	8/8	100%
Mr. Leung Chi Ching, Frederick (Resigned with effect from 1 December 2013)	6/6	100%
Independent non-executive Directors:		
Mr. So Hon Cheung, Stephen	7/8	87.5%
Mr. Li Weibin	8/8	100%
Mr. Wei Wei (Appointed with effect from 18 March 2014)	0/0	N/A
Mr. Sun Shengdian (Appointed with effect from 23 September 2013, and resigned with effect from 18 March 2014)	2/3	66.7%

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 2014.

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/html/index.php. 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 15 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 2014 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 Mr. Wei Wei and the other members are Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine, who is re-designated from INED to ED with effect from 9 September 2013. Mr. Leung Chi Ching, Frederick was an ED who was resigned as a member of the Nomination Committee with effect from 19 September 2013. Mr. Sun Shengdian was appointed as an INED and a member of the Nomination Committee with effect from 23 September 2013 but was resigned with effect from 18 March 2014. Except for Ms. Chan Wai Kay, Katherine 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 chief executive officer.

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

The Nomination Committee held five meetings during the year ended 31 March 2014. The meetings were held to review the composition (including diversity) of the Board, to nominate ED for the Board and to review the change of INED and resignation of ED.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2014 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. Wei Wei (Chairperson, appointed as a member with effect from 18 March 2014)	0/0	N/A
Mr. So Hon Cheung, Stephen	5/5	100%
Mr. Li Weibin	5/5	100%
Mr. Sun Shengdian (appointed as a member with effect from 23 September 2013, and resigned with effect from 18 March 2014)	1/2	50%
Executive Directors:		
Ms. Chan Wai Kay, Katherine (re-designated from INED to ED with effect from 9 September 2013)	5/5	100%
Mr. Leung Chi Ching, Frederick (resigned as a member with effect from 19 September 2013)	2/2	100%

Remuneration committee

A remuneration committee was set up under the auspices of the Board on 5 February 2005 (the "Remuneration Committee") with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012. The Remuneration Committee currently comprises four members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. So Hon Cheung, Stephen, Mr. Wei Wei 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 six meetings during the year ended 31 March 2014. The meetings were held to review the compensation and incentives package for the directors and 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 2014, 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 2014 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. Li Weibin *(Chairperson)*	6/6	100%
Mr. So Hon Cheung, Stephen	6/6	100%
Mr. Wei Wei (appointed as a member with effect from 18 March 2014)	0/0	N/A
Mr. Sun Shengdian (appointed as a member with effect from 23 September 2013, and resigned with effect from 18 March 2014)	1/2	50%
Executive Directors:		
Ms. Lin Wei Ping	6/6	100%
Ms. Chan Wai Kay, Katherine (resigned as a member with effect from 19 September 2013, and re-designated from INED to ED with effect from 9 September 2013)	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 46 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 Mr. Wei Wei.

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/html/index.php.

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 2014, the Audit Committee held two meetings, all of which were held with the group financial controller 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 2014.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2014 is set out as follows:

Name of Director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. So Hon Cheung, Stephen *(Chairperson)*	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Wei Wei (Appointed with effect from 18 March 2014)	0/0	N/A
Ms. Chan Wai Kay, Katherine (resigned as a member with effect from 19 September 2013, and re-designated from INED to ED with effect from 9 September 2013)	1/1	100%
Mr. Sun Shengdian (appointed as a member with effect from 23 September 2013, and resigned with effect from 18 March 2014)	0/1	0%

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 2014, 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 of 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 2014, 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 2014, 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 2014 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 2014 were as follows:

Nature of services	For the year ended 31 March **2014** **Amounts** **HK$'000**	 2013 Amounts HK$'000
Audit service (including review of interim financial statements)	**8,430**	8,820
Non-audit and tax related service	**710**	6,608
Total	**9,140**	15,428

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/html/index.php;

- 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 http://www.hkexnews.hk and on the Company's corporate website http://investor.skyworth.com/html/index.php; 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.

Shareholders' Right

The procedures for shareholders to convene a special general meeting, put forward proposals at shareholders' meetings and propose a person for election as a director of the Company are available on the website of the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary of the Company at the Company's head office at Room 1601, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Shareholders can also make enquiries to the Board directly at the general meetings.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTOR

Ms. Lin Wei Ping, aged 56, 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 2014, 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 56 to 61 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Yang Dongwen, aged 49, 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 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 2014, 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 56 to 61 of this annual report.

Mr. Lu Rongchang, aged 68, 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 2014, 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 56 to 61 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Shi Chi, aged 43, 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 2014, 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 56 to 61 of this annual report.

Ms. Chan Wai Kay, Katherine, aged 55, is an executive director of the Company. Ms. Chan was appointed as an independent non-executive director of the Company in July 2010 and on 9 September 2013, was re-designated as an executive director. Ms. Chan is also a member of the nomination 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 Industry Group 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 2014, Ms. Chan 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 56 to 61 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. So Hon Cheung, Stephen, aged 58, 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 (Stock code: 1079), and Milan Station Holdings Limited (Stock code: 1150); Mr. So is also an executive director of CINS Holding Corp. (Stock code: CHD) listed on CNSX in Canada.

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 2014, 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 56 to 61 of this annual report.

Mr. Li Weibin, aged 53, 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 29 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 2014, 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 56 to 61 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Wei Wei, aged 49, is an independent non-executive director of the Company since 18 March 2014. Mr. Wei is the chairperson of nomination committee of the Company, also a member of audit committee and remuneration committee of the Company.

Mr. Wei has more than 20 years working experience in the field of education and research, mainly in strategic management, business model design and organisation economics. He is an associate professor and assistant dean in Peking University HSBC Business School. He was also director and associate professor in Xinjiang Institute of Technology, deputy dean in Xinjiang University and post-doctorate in China Centre for Economics Research, Peking University. Mr. Wei has been participating in or in charge of numerous enterprise management consultancy projects and publishing about 100 articles or case studies related to business model.

Mr. Wei is currently an independent non-executive director of three listed companies, including ZTE Corporation (stock code: Shenzhen 000063 and Hong Kong 0763) listed on the Main Board of the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong Limited, Telling Telecommunication Holding Co., Ltd. (stock code: Shenzhen 000829) and Zhangzidao Group Co., Ltd. (stock code: Shenzhen 002069) both are listed on the Shenzhen Stock Exchange. Mr. Wei holds a bachelor degree of business administration from Huazhong University of Science & Technology. He also holds a master degree in business administration from Tsinghua University and a doctorate of philosophy degree in management science from Huazhong University of Science & Technology.

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

As at 31 March 2014, Mr. Wei does not have interests 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 51, joined the Group in 1998. He is the vice president of the Group, the president of 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. Sun Ruikun, aged 50, joined the Group in September 2013. He is the vice president of the Group.

Mr. Sun graduated from the Nankai University of Economics with a bachelor degree in history, and graduated from the China Europe International Business School with a master degree in executive business administration.

Mr. Sun has more than 30 years management experience in the field of government authorities, large government-owned businesses and investments. He was an investment partner of Qiming Venture Partners, a vice president of Shanghai HuaHong Group, a vice president and deputy president of Shanghai HuaHong NEC Electronics Company Limited, a chairperson and chief executive officer of Shanghai HuaHong Integrated Circuit Company Limited, a chairperson of Beijing HuaHong IC Design Company Limited, a deputy secretary-general of Chinese Institute of Electronics, a deputy chairperson and chairperson of presidium of China Semiconductor Industry Association, and a deputy chairperson of Shanghai Semiconductor Association. Prior to this, Mr. Sun worked in the former PRC Economic and Trade Committee, PRC State Planning Committee, PRC Ministry of Electronic Industry, General Office of the CPPCC National Committee.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Lam Shing Choi, Eric, aged 42, is the company secretary and the financial controller of the Company.

Mr. Lam joined the Group in March 1998 as the finance manager, was responsible for setting up computerized accounting system of the sales head office in Dongguan, coordinating with the auditors and the preparation of monthly financial statements. In January 2001, he was transferred to Skyworth Multimedia International Ltd. (a wholly-owned subsidiary of the Company) as the financial controller, in charge of the finance department. From 2006 to 2007, he worked as the financial controller of Skyworth Overseas Development Limited (a wholly-owned subsidiary of the Company), oversaw the finance department, internal control, financial statements and banking facilities. Mr. Lam then served as the financial controller of Skyworth TV Holdings Limited, a wholly owned subsidiary of the Company, from 2007 to 2011 and was responsible for banking facility arrangement and financial reporting of the Company. He was the financial controller of the TV business unit of the Group in December 2011 and the LCD business unit of the Group since December 2012. He is also a director of certain subsidiaries of the Company.

Mr. Lam graduated from Monash University in Australia with a bachelor degree of business in accounting and a bachelor degree of computing in information systems. Mr. Lam is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountants Australia. Mr. Lam has over 18 years of working experience in corporate finance, banking and accounting.

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

Mr. Wang Dehui, aged 58, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Sun Weizhong, aged 38, is the vice president of TV business unit of the Group and the general manager of overseas sales, as well as a director of certain subsidiaries of the Company.

Mr. Sun joined the Group in 1999 after he graduated from the Northwestern Polytechnic University with a Bachelor degree. In these years, he has worked as sales representative, manager of sales office, general manager of regional office, director of brand department, marketing director and sales director of China sales of the Group.

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

Mr. Peng Jin, aged 46, is the vice president of TV business unit of the Group and the general manager of China sales.

Mr. Peng joined the Group in 1999. Mr. Peng graduated from the Huazhong University of Science and Technology. In these years, he has worked as manager of service center, manager of regional office and general manager of regional office. Mr. Peng has over 10 years working experience in brand promotion, marketing and sales operations.

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

Mr. Wu Qinan, aged 39, 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. Li Xiaofang, aged 50, 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.

Mr. Guo Limin, aged 56, 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 Co. 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.

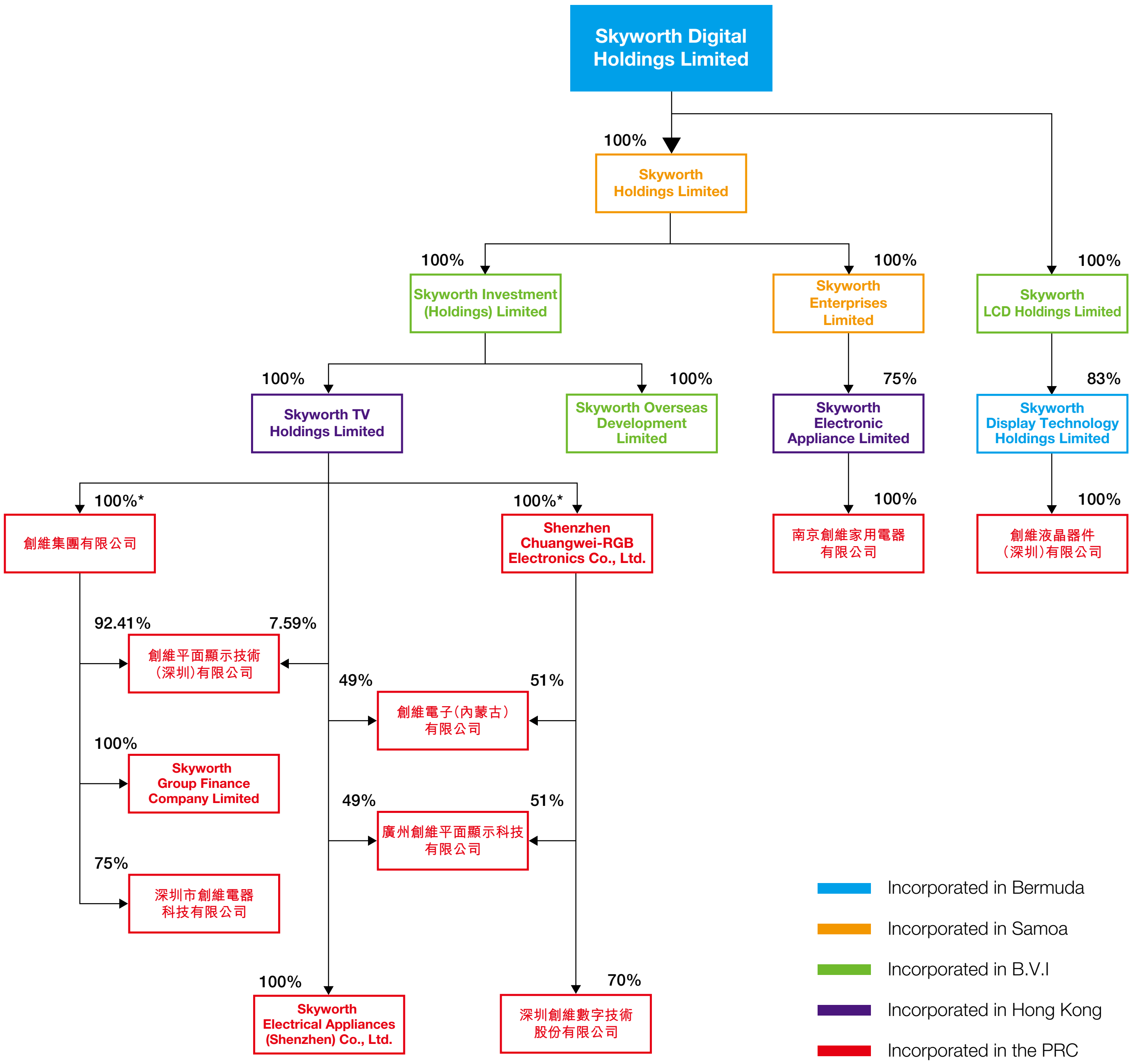
Save and except for the relationship with the Company, Mr. Guo does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

Ms. Shao Meifang, aged 58, 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.

SIMPLIFIED CORPORATE STRUCTURE



As at 31 March 2014

* Effective Interest

INVESTOR
RELATIONS

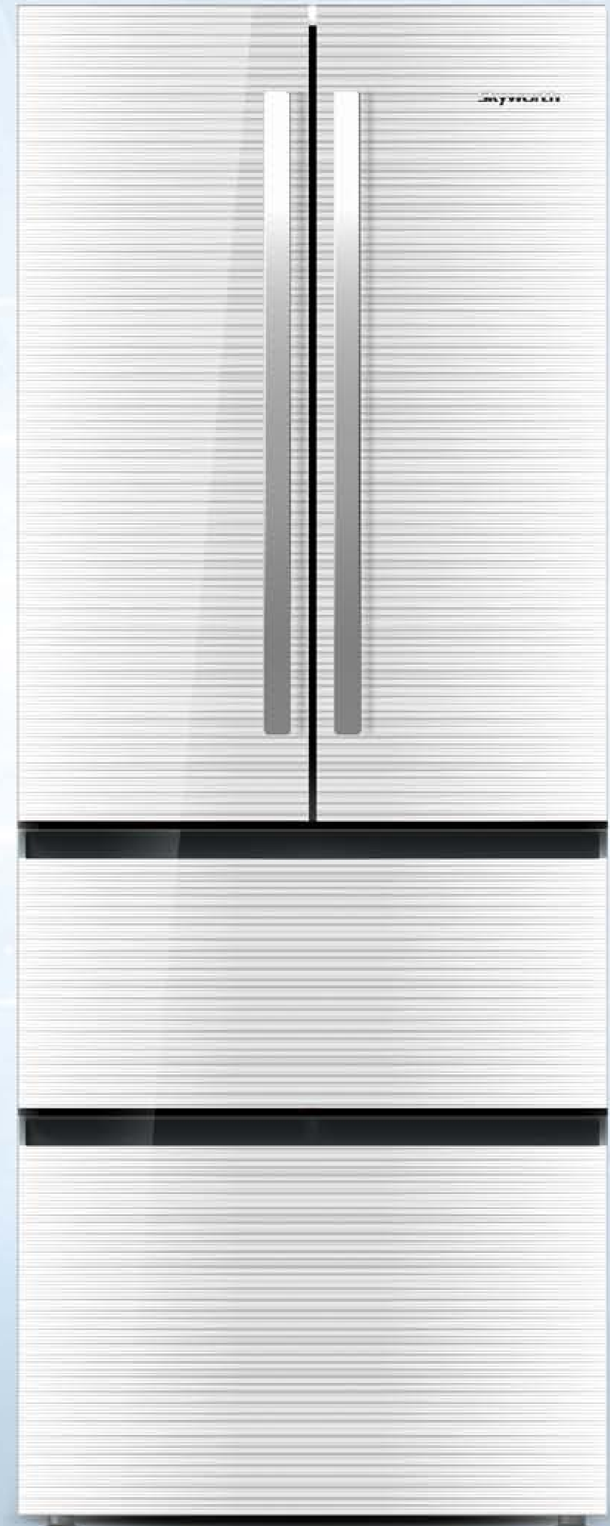
INVESTOR RELATIONS

CALENDAR OF MAJOR INVESTOR RELATIONS ACTIVITIES

April 2013 – March 2014

Time	Events
April 2013	• JP Morgan HK & China Small Mid Cap Corporate Access Day, Hong Kong
May 2013	• Macquarie Greater China Conference, Hong Kong • 18th CLSA China Forum 2013 at Beijing, China
June 2013	2012/13 Annual Results Announcement • Analysts Presentation, webcasting and conference calls • Press Conference • Post-result Hong Kong roadshow arranged by Citi
July 2013	• Post-result Hong Kong roadshow arranged by Citi • Post Annual Results Singapore roadshow arranged by Credit Suisse • Post Annual Results Germany, Switzerland & UK roadshow arranged by Credit Suisse
August 2013	• Post Annual Results Tokyo roadshow arranged by Daiwa Capital Markets HK • 2012/13 Annual General Meeting — Press Briefing
September 2013	• Credit Suisse 14th Asian Technology Conference 2013 at Taipei
October 2013	• CLSA HK/China Consumer Access Day in Hong Kong
November 2013	2013/14 Interim Results Announcement • Analysts presentation, live webcasting • Press conference • Post-result Hong Kong roadshow arranged by Credit Suisse • Post-result Hong Kong roadshow arranged by Daiwa Capital Markets HK • Post-result video conferencing with Singapore arranged by Daiwa Capital Markets HK
December 2013	• Barclays Asia Technology, Media & Telecommunications Conference, Hong Kong • Ji Asia Societe Generale 2013 HK Investor Conference, Hong Kong • Post-result Tokyo roadshow arranged by Daiwa Capital Markets HK
January 2014	• Credit Suisse Asia Technology and Taiwan Corporate Days, Hong Kong • UBS Greater China Conference 2014 in Shanghai, China • CLSA China Industrial Access Day, Hong Kong
March 2014	• 17th Annual Credit Suisse Asian Investment Conference, 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 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 55, 21 and 22 of the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of the annual report.

An interim dividend of HK8.5 cents (2013: HK7.0 cent) per share amounting to HK$239 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK6.5 cents (2013: HK11.0 cents) per share to the shareholders on the register of members of the Company on 5 September 2014, estimated to be HK$184 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 175 to 176 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 15% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 41% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 19% 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$1,161 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) and acquired additional plant and machinery at a cost of approximately HK$667 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 44 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 2014 amounted to approximately HK$1,844 million (2013: HK$1,656 million).

DONATIONS

During the year, the Group made charitable donations approximately amounting to HK$5 million.

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 with effect from 1 April 2013)*
Yang Dongwen	*(Chief Executive Officer)*
Lu Rongchang	
Shi Chi	
Chan Wai Kay, Katherine	*(Re-designated from independent non-executive director with effect from 9 September 2013)*
Leung Chi Ching, Frederick	*(Resigned with effect from 1 December 2013)*

Independent non-executive directors:

So Hon Cheung, Stephen	
Li Weibin	
Wei Wei	*(Appointed with effect from 18 March 2014)*
Sun Shengdian	*(Appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)*

In accordance with Clauses 86 and 87 of the Company's bye-laws, Mr. Shi Chi, Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Wei Wei 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 40 to 49 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of 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 24 to 39 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 53 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2014, 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 2014, 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		8,247,003	0.29%
	Held by spouse	*(Note b)*	1,006,694,146	35.57%
		(Note c)	1,014,941,149	35.86%
Yang Dongwen	Beneficial owner		15,000,305	0.53%
Lu Rongchang	Beneficial owner		4,291,005	0.15%
Shi Chi	Beneficial owner		1,328,316	0.05%
Li Weibin	Beneficial owner		1,000,000	0.04%
So Hon Cheung, Stephen	Beneficial owner		161,273	0.01%
Leung Chi Ching, Frederick (up to 1 December 2013)	Beneficial owner		2,018,000	0.07%

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

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

Notes:

(a) 929,375,184 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 929,375,184 ordinary shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,014,941,149 ordinary shares of the Company, which comprise 8,247,003 shares held by herself, the deemed interests in 1,006,694,146 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,014,941,149 ordinary shares of the Company, which comprise 77,318,962 shares held by himself, the deemed interests in 929,375,184 shares held by Target Success Group (PTC) Limited and the deemed interests in 8,247,003 shares held by her spouse Ms. Lin Wei Ping.

(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 46 to the consolidated financial statements.

(ii) As at 31 March 2014, 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
Yang Dongwen	Beneficial owner	15,000,000
Chan Wai Kay, Katherine	Beneficial owner	10,000,000
Lu Rongchang	Beneficial owner	8,000,000
Shi Chi	Beneficial owner	8,000,000
		41,000,000

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

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

(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 2013	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2014
Directors:								
Yang Dongwen								
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
28 June 2013	3.982	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	2,000,000	–	–	2,000,000

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

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

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2013	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2014
Directors: *(continued)*								
Lu Rongchang								
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

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 2013	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2014
Directors: *(continued)*								
Shi Chi								
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
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

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 2013	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2014
Directors: *(continued)*								
Chan Wai Kay, Katherine								
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,500,000	–	–	2,500,000
				21,000,000	20,000,000	–	–	41,000,000

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 2014.

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 46 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 2014.

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 2014, 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)*	929,375,184	32.83%
Wong Wang Sang, Stephen	Beneficial owner	77,318,962	2.74%
	Held by spouse *(Note b)*	8,247,003	0.29%
	Interest of corporation controlled *(Note a)*	929,375,184	32.83%
		1,014,941,149	35.86%
Lin Wei Ping	Beneficial owner	8,247,003	0.29%
	Held by spouse *(Note c)*	1,006,694,146	35.57%
		1,014,941,149	35.86%
JP Morgan Chase & Co.	Beneficial owner	2,294,771	0.08%
	Investment Manager	93,235,440	3.30%
	Custodian corporation/ approved lending agent	45,358,502	1.60%
		140,888,713	4.98%
Short positions			
JP Morgan Chase & Co.	Beneficial owner	650,000	0.02%
Lending pool			
JP Morgan Chase & Co.	Custodian corporation/ approved lending agent	45,358,502	1.60%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Note a: 929,375,184 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 929,375,184 ordinary shares of the Company.

Note b: Mr. Wong Wang Sang, Stephen is interested in 1,014,941,149 ordinary shares of the Company, which comprise 77,318,962 shares held by himself, the deemed interests in 929,375,184 shares held by Target Success and the deemed interests in 8,247,003 shares held by her spouse Ms. Lin Wei Ping.

Note c: Ms. Lin Wei Ping is interested in 1,014,941,149 ordinary shares of the Company, which comprise 8,247,003 shares held by herself, the deemed interests in 1,006,694,146 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 2014.

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 2014.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2014 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.

By order of the Board

Lin Wei Ping
Executive Chairperson
24 June 2014

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 66 to 173, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 affairs of the Group as at 31 March 2014, 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
24 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

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

	NOTES	2014	2013
Turnover	7	39,480	37,824
Cost of sales		(31,851)	(30,418)
Gross profit		7,629	7,406
Other income	9	973	651
Other gains and losses	10	(149)	(46)
Selling and distribution expenses		(4,925)	(4,554)
General and administrative expenses		(1,645)	(1,388)
Finance costs	11	(163)	(133)
Share of results of associates		1	3
Share of results of joint ventures		(21)	(13)
Profit before taxation		1,700	1,926
Income tax expense	12	(267)	(332)
Profit for the year	13	1,433	1,594
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(8)	123
Fair value loss on available-for-sale financial assets		(12)	(7)
Reclassification adjustment upon impairment of available-for-sale financial assets	24	12	7
Fair value loss on cash flow hedges	39(4)	(3)	–
Loss on cash flow hedges reclassified to profit or loss	39(4)	13	10
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		–	(1)
Other comprehensive income for the year		2	132
Total comprehensive income for the year		1,435	1,726
Profit for the year attributable to:			
Owners of the Company		1,254	1,501
Non-controlling interests		179	93
		1,433	1,594
Total comprehensive income for the year attributable to:			
Owners of the Company		1,256	1,633
Non-controlling interests		179	93
		1,435	1,726
Earnings per share (expressed in Hong Kong cents)			
Basic	17	44.64	54.88
Diluted	17	44.58	54.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

Amounts expressed in millions of Hong Kong dollars

	NOTES	2014	2013
Non-current Assets			
Property, plant and equipment	18	**4,436**	3,068
Deposits for purchase of property, plant and equipment		**147**	124
Investment properties	19	**10**	11
Prepaid lease payments on land use rights	20	**457**	445
Interests in associates	21	**14**	13
Interests in joint ventures	22	**59**	219
Other receivable	23	**–**	108
Available-for-sale investments	24	**691**	305
Deferred tax assets	25	**150**	137
		5,964	4,430
Current Assets			
Inventories	26	**4,188**	5,109
Stock of properties	27	**656**	539
Prepaid lease payments on land use rights	20	**11**	10
Held-to-maturity investments	28	**325**	–
Available-for-sale investments	24	**284**	–
Trade and other receivables, deposits and prepayments	29	**5,787**	6,213
Bills receivable	30	**10,061**	9,773
Loan to a joint venture	31	**25**	–
Amounts due from joint ventures	32	**–**	28
Amounts due from associates	33	**123**	–
Tax recoverable		**125**	12
Structured bank deposit	34	**–**	25
Pledged bank deposits	35	**1,572**	623
Bank balances and cash	35	**3,023**	2,301
		26,180	24,633
Current Liabilities			
Trade and other payables	36	**9,241**	9,586
Bills payable	37	**4,094**	1,699
Obligations arising from put options written to non-controlling interests	38	**485**	410
Derivative financial instruments	39	**5**	10
Provision for warranty	40	**149**	133
Amounts due to joint ventures	41	**4**	4
Amounts due to associates	41	**17**	65
Tax liabilities		**162**	190
Bank borrowings	42	**5,156**	5,581
Deferred income	43	**188**	–
		19,501	17,678
Net Current Assets		**6,679**	6,955
Total Assets less Current Liabilities		**12,643**	11,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

Amounts expressed in millions of Hong Kong dollars

	NOTES	2014	2013
Non-current Liabilities			
Provision for warranty	40	**50**	40
Bank borrowings	42	**547**	225
Deferred income	43	**554**	706
Deferred tax liabilities	25	**144**	178
		1,295	1,149
NET ASSETS		**11,348**	10,236
Capital and Reserves			
Share capital	44	**283**	280
Share premium		**2,501**	2,396
Share option reserve		**193**	157
Investment revaluation reserve		**–**	–
Surplus account		**38**	38
Capital reserve		**749**	537
Exchange reserve		**1,112**	1,120
Hedging reserve		**–**	(10)
Accumulated profits		**5,946**	5,451
Equity attributable to owners of the Company		**10,822**	9,969
Non-controlling interests		**526**	267
		11,348	10,236

The consolidated financial statements on pages 66 to 173 were approved and authorised for issue by the board of directors on 24 June 2014 and are signed on its behalf by:

Lin Wei Ping
DIRECTOR

Yang Dongwen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

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 or 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 options	–	–	(26)	–	–	–	–	–	26	–	–	–
Dividends recognised as distribution *(note 16)*	–	–	–	–	–	–	–	–	(464)	(464)	–	(464)
Adjustment arising from obligations from put options written to non-controlling interests *(note 38)*	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	4	4
Dividends 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

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 2013	280	2,396	157	–	38	537	1,120	(10)	5,451	9,969	267	10,236
Profit for the year	–	–	–	–	–	–	–	–	1,254	1,254	179	1,433
Exchange differences arising on translation	–	–	–	–	–	–	(8)	–	–	(8)	–	(8)
Fair value loss on available-for-sale financial assets	–	–	–	(12)	–	–	–	–	–	(12)	–	(12)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	12	–	–	–	–	–	12	–	12
Fair value loss on cash flow hedges	–	–	–	–	–	–	–	(3)	–	(3)	–	(3)
Loss on cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	13	–	13	–	13
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(8)	10	1,254	1,256	179	1,435
Recognition of equity-settled share-based payments	–	–	36	–	–	–	–	–	–	36	–	36
Transfer to capital reserve	–	–	–	–	–	212	–	–	(212)	–	–	–
Issue of shares under scrip dividend scheme	3	105	–	–	–	–	–	–	–	108	–	108
Dividends recognised as distribution *(note 16)*	–	–	–	–	–	–	–	–	(547)	(547)	–	(547)
Adjustment arising from obligations from put options written to non-controlling interests *(note 38)*	–	–	–	–	–	–	–	–	–	–	(49)	(49)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	179	179
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(50)	(50)
Balance at 31 March 2014	283	2,501	193	–	38	749	1,112	–	5,946	10,822	526	11,348

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, 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 2014
Amounts expressed in millions of Hong Kong dollars

	2014	2013
OPERATING ACTIVITIES		
Profit before taxation	**1,700**	1,926
Adjustments for:		
Depreciation of property, plant and equipment	**395**	302
Depreciation of investment properties	**1**	–
Dividend income	**(8)**	(5)
Finance costs	**163**	133
(Gain) loss from changes in fair value of derivative financial instruments	**(10)**	3
Government grants related to assets recognised	**(49)**	(47)
Impairment loss on trade receivables	**47**	42
Impairment loss recognised in respect of available-for-sale investments	**12**	7
Imputed interest income from trade receivables	**(2)**	(4)
Imputed interest income from other receivable	**–**	(6)
Interest income from bank deposits	**(74)**	(63)
Loss on cash flow hedges included in profit or loss	**13**	10
Loss on disposal of property, plant and equipment	**19**	45
Release of prepaid lease payments on land use rights	**11**	9
Share-based payment expenses	**36**	46
Share of results of associates	**(1)**	(3)
Share of results of joint ventures	**21**	13
Special allowance for inventories	**97**	–
Write-down of inventories	**43**	80
Operating cash flows before movements in working capital	**2,414**	2,488
Cash paid on settlement of foreign currency forward contracts	**–**	(2)
Cash received on settlement of performance swap contract	**12**	2
Cash received on settlement of target redemption forward contracts	**3**	–
Decrease (increase) in inventories	**753**	(2,484)
Decrease (increase) in trade and other receivables, deposits and prepayments	**451**	(2,653)
Increase in bills receivable	**(553)**	(650)
Decrease in amounts due from joint ventures	**–**	6
Increase in amounts due from associates	**(123)**	–
Decrease in held for trading investments	**–**	3
(Decrease) increase in trade and other payables	**(368)**	2,296
Increase in bills payable	**2,395**	758
(Decrease) increase in amounts due to associates	**(48)**	65
Increase in provision for warranty	**27**	38
(Decrease) increase in deferred income	**(1)**	18
Cash generated from (used in) operations	**4,962**	(115)
PRC income tax paid	**(455)**	(409)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**4,507**	(524)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014
Amounts expressed in millions of Hong Kong dollars

	NOTES	2014	2013
INVESTING ACTIVITIES			
Dividend received		**8**	23
Interest received		**63**	65
Purchase of property, plant and equipment		**(1,915)**	(1,077)
Proceeds on disposal of property, plant and equipment		**24**	11
Prepaid lease payments on land use rights		**(24)**	(34)
Investment in an associate		**–**	(4)
Investment in a joint venture		**–**	(10)
Return of capital upon deregistration of a joint venture	22	**29**	–
Receipt from settlement of other receivable	23	**108**	–
Investments in held-to-maturity investments		**(325)**	–
Investments in available-for-sale investments		**(628)**	(170)
Proceeds on disposal of available-for-sale investments		**2**	1
Advances to staffs		**(49)**	(49)
Repayments from staffs		**46**	26
Loan to a joint venture		**(25)**	–
Government grants received related to assets		**86**	399
Placement of pledged bank deposits		**(1,572)**	(623)
Withdrawal of pledged bank deposits		**623**	630
Placement of structured bank deposit		**–**	(25)
Withdrawal of structured bank deposit		**25**	224
NET CASH USED IN INVESTING ACTIVITIES		**(3,524)**	(613)
FINANCING ACTIVITIES			
Dividends paid		**(489)**	(177)
Interest paid		**(137)**	(110)
Issue of shares through exercise of share options		**–**	13
Contributions from non-controlling interests		**179**	4
New bank borrowings raised		**15,584**	9,804
Repayment of bank borrowings		**(15,708)**	(8,357)
Borrowings arising from discounted bills with recourse		**294**	75
Cash paid on settlement of cross-currency interest rate swap		**(13)**	(10)
Acquisition on additional interests in subsidiaries		**–**	(20)
Proceeds on disposal of partial interests in subsidiaries without losing control		**–**	19
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(290)**	1,241
NET INCREASE IN CASH AND CASH EQUIVALENTS		**693**	104
CASH AND CASH EQUIVALENTS AT 1 APRIL		**2,301**	2,164
Effect of foreign exchange rate changes		**29**	33
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash		**3,023**	2,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 55, 21 and 22 respectively.

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

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised 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.

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

Application of new and revised HKFRSs *(Continued)*

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 did not have significant impact on amounts reported in the consolidated financial statements.

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

Application of new and revised HKFRSs *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of HKFRS 11 did not have significant impact on amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 21, 22 and 55 for details).

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

Application of new and revised HKFRSs *(Continued)*

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 6(c) and 19 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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 2010–2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[4]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[4]
HK(IFRIC)-Int 21	Levies[4]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2016

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the 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.

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 at the end of each reporting period, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land 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.

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.

Depreciation is recognised so as to write off the cost of assets 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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 immediately in profit or loss.

Prepaid lease payments on land use rights

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

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 or a joint venture. 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 of disposal) 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 an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets, and loans and receivables. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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" line item. Fair value is determined in the manner described in note 6(c).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

(a) those that the Group upon initial recognition designates as at FVTPL;

(b) those that the Group designates as available for sale; and

(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS 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 of financial assets below).

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

AFS 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 of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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, loan to a joint venture, amounts due from joint ventures and associates, structured bank deposit, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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 when 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 AFS equity investments, a significant or prolonged decline in the fair value of that security 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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 AFS financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition 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 liability other than a financial liability 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 liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6(c).

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 joint ventures and associates, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

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.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are 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 case 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 and is included in the "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 profit or loss and other comprehensive income as the recognised hedged item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Obligations arising from put options 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current 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.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. 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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements 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 profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 associates, and interest in joint arrangements, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes, the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options 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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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, and repairs and maintenance income are 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).

The Group’s accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

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.

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 45, 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 practice, rule and regulations in the PRC. 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.

Held-to-maturity investments

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. As at 31 March 2014, the carrying amount of the held-to-maturity investments is HK$325 million (2013: nil). Details of these assets are set out in note 28.

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

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 2014, allowance of HK$140 million (2013: HK$80 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 effectiveness of 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.

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 2014, impairment loss of HK$47 million (2013: HK$42 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 2014, provision for warranty of HK$199 million (2013: HK$173 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.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company have appointed accounting officers to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or obtain mark-to-market data from banks. The accounting officers work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model, and communicate with banks to understand the valuation methodology adopted in deriving the mark-to-market data. The accounting officers report to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6(c) and 19 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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 42, 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

	2014 HK$ million	2013 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	19,625	17,962
Held-to-maturity investments	325	–
Available-for-sale financial assets	975	305
Financial liabilities		
Liabilities at amortised cost	17,613	15,685
Derivative financial instruments	5	10

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivable, held-to-maturity investments, available-for-sale investments, trade and other receivables, bills receivable, loan to a joint venture, amounts due from joint ventures and associates, structured bank deposit, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, obligations arising from put options written to non-controlling interests, derivative financial instruments, amounts due to joint ventures 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 82% (2013: 84%) 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.

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	
	2014	2013	**2014**	2013
	HK$ million	HK$ million	**HK$ million**	HK$ million
US$ against RMB	**569**	435	**3,829**	5,290
HK$ against RMB	**563**	4	**5**	7
RMB against HK$	**409**	427	**–**	–
Euro ("EUR") against RMB	**–**	–	**830**	–

Certain foreign currency forward contracts as disclosed in note 39(1) are entered into by the Group to hedge foreign currency exposure arising from HK$ bank deposits. In addition, a cross-currency interest rate swap contract as disclosed in note 39(4) was entered into by the Group to hedge cash flow interest and foreign currency exposure arising from US$ bank borrowings, which was considered to be highly effective. In the opinion of the directors of the Company, the net foreign currency exposure arising from these contracts, HK$ denominated bank deposits and the US$ denominated bank borrowings are 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 in US$ and EUR against RMB. The following table only details the Group's sensitivity to a 5% increase and decrease in US$ and EUR 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 mainly includes trade and other receivables, structured bank deposit, pledged bank deposits, bank balances and cash, trade and other payables, as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ and EUR weakens 5% against RMB. For a 5% strengthening of US$ and EUR against RMB, there would be an equal and opposite impact on the profit for the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

Currency risk sensitivity analysis (Continued)

	2014 HK$ million	2013 HK$ million
Profit for the year		
US$ against RMB	139	206
EUR against RMB	35	–

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

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 42 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 42 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$4 million (2013: HK$12 million).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities and structured bank deposit (as disclosed in notes 24 and 34 respectively). The Group's other price risk is mainly concentrated on commodities price. In addition, the Group has appointed the management 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 deposit is minimal, accordingly, no sensitivity analysis is presented for both years on its structured bank deposit.

If the prices of the respective equity instruments had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK$8 million/nil (2013: HK$8 million/nil) and post-tax result for the year would increase/decrease by nil/HK$8 million (2013: nil/HK$8 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.

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. 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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 deposit, 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 89% (2013: 92%) of the total trade receivables at the end of the reporting period.

Other than concentration of credit risk on receivables from government for refunds paid to customers on buying energy-saving products of HK$157 million (2013: HK$1,208 million) as disclosed in note 29 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.

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 2014, the Group has available unutilised bank borrowing facilities of approximately HK$21,622 million (2013: HK$17,952 million).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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.

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 outflows on derivative financial 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.

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	Over 5 years HK$ million	Total undiscounted cash flows HK$ million	Carrying amount at 31.3.2014 HK$ million
2014								
Non-derivative financial liabilities								
Trade and other payables	-	5,430	1,281	599	-	-	7,310	7,310
Bills payable	-	855	1,826	1,413	-	-	4,094	4,094
Obligations arising from put options written to non-controlling interests *(note 38 (Note a))*	-	242	-	-	-	-	242	242
Obligations arising from put options written to non-controlling interests *(note 38 (Note b))*	10.00	243	-	-	-	-	243	243
Amounts due to joint ventures	-	4	-	-	-	-	4	4
Amounts due to associates	-	17	-	-	-	-	17	17
Bank borrowings – variable rate	3.23	592	3	14	77	318	1,004	857
Bank borrowings – fixed rate	3.92	1,228	1,568	1,830	299	-	4,925	4,846
		8,611	4,678	3,856	376	318	17,839	17,613
Derivatives settled, net								
Foreign currency forward contracts		-	-	5	-	-	5	5

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$ million	1 to 3 months HK$ million	Over 3 months but not more than 1 year HK$ million	1 to 5 years HK$ million	Over 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 38 (Note a))*	–	193	–	–	–	–	193	193
Obligations arising from put options written to non-controlling interests *(note 38 (Note b))*	10.00	–	–	247	–	–	247	217
Amounts due to joint ventures	–	4	–	–	–	–	4	4
Amounts due to associates	–	65	–	–	–	–	65	65
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

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

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 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$552 million (2013: HK$155 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 (2013: within one year) 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$553 million (2013: HK$156 million).

	Maturity Analysis – borrowings subject to a repayment on demand clause based on scheduled repayments						
	Weighted average effective interest rate %	Less than 1 month HK$ million	1 to 3 months HK$ million	Over 3 months but not more than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flows HK$ million	Carrying amount HK$ million
31 March 2014	**1.78**	**452**	**101**	**–**	**–**	**553**	**552**
31 March 2013	2.99	–	156	–	–	156	155

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2013		
	HK$ million	HK$ million		
Available-for-sale financial assets:				
Listed equity securities	**79**	83	Level 1	Quoted bid prices in an active market
Derivative financial instruments:				
Foreign currency forward contracts	**(5)**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross-currency interest rate swap	**–**	(10)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
	(5)	(10)		

There were no transfers between Level 1 and 2 during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the above financial assets and financial liabilities (categorised with Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

7. TURNOVER

Turnover represents the aggregate value of goods and properties sold reduced for goods returns, rebates, 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:

	2014 **HK$ million**	2013 HK$ million
Manufacture and sales of televisions ("TV") products	**29,484**	30,212
Manufacture and sales of digital set-top boxes	**4,162**	3,906
Processing income and sales of liquid crystal display ("LCD") modules	**859**	535
Manufacture and sales of white appliances	**2,532**	1,691
Property rental income	**122**	83
Sales of properties	**34**	169
Others	**2,287**	1,228
	39,480	37,824

8. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. 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.

The Group's reportable and operating segments under HKFRS 8 *Operating Segments* are 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 and sale of white appliances, including refrigerators, washing machines, etc
6. Property holding — leasing of property

Although "Property holding" segment does not meet any of the quantitative thresholds for determining reportable segments, it is separately disclosed as the management believes that information regarding this segment would be useful to the 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 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, these two operating segments are grouped as "Others" segment.

Segment information about these businesses is presented below.

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 March 2014

	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	26,244	3,240	4,162	859	2,532	122	2,321	–	39,480
Inter-segment revenue	626	–	–	1,184	–	–	330	(2,140)	–
Total segment revenue	26,870	3,240	4,162	2,043	2,532	122	2,651	(2,140)	39,480
Results									
Segment results	1,163	(14)	428	236	223	85	(37)	–	2,084
Interest income									76
Unallocated corporate expenses less income									(277)
Finance costs									(163)
Share of results of associates									1
Share of results of joint ventures									(21)
Consolidated profit before taxation of the Group									1,700

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 results of associates									3
Share of results of joint ventures									(13)
Consolidated profit before taxation of the Group									1,926

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 joint ventures. 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 2014

	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	14,986	668	3,210	850	1,573	925	3,689	–	25,901
Interests in associates									14
Interests in joint ventures									59
Unallocated corporate assets									6,170
Total consolidated assets									32,144
Liabilities									
Segment liabilities	8,618	229	1,860	425	1,317	206	896	–	13,551
Unallocated corporate liabilities									7,245
Total consolidated liabilities									20,796

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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 ventures									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

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 joint ventures, available-for-sale investments, deferred tax assets, held-to-maturity investments, tax recoverable, structured bank deposit, 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 joint ventures, tax liabilities, bank borrowings, deferred income, deferred tax liabilities and other unallocated corporate liabilities.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2014

	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	474	4	167	190	228	306	459	–	1,828
— prepaid lease payments for land use rights	18	–	–	–	–	–	6	–	24
Depreciation of property, plant and equipment	245	7	46	59	–	8	30	–	395
Loss on disposal of property, plant and equipment	6	–	–	12	–	–	1	–	19
Impairment loss on trade receivables	6	–	37	2	–	–	2	–	47
Release of prepaid lease payments on land use rights	6	–	1	–	–	4	–	–	11
Write-down of inventories	15	–	3	–	4	–	21	–	43

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 use rights	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)*

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)*	
	2014 **HK$ million**	2013 HK$ million	**2014** **HK$ million**	2013 HK$ million
PRC	**32,739**	32,039	**5,101**	3,857
Asia region (other than PRC)	**2,826**	2,404	**21**	22
America	**2,128**	1,497	**–**	–
Europe	**904**	1,171	**–**	–
Other regions	**883**	713	**1**	1
	39,480	37,824	**5,123**	3,880

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

9. OTHER INCOME

	2014 **HK$ million**	2013 HK$ million
Dividend income from unlisted investments	**8**	5
Government grants		
— related to expense items *(note 43)*	**235**	162
— related to assets *(note 43)*	**49**	47
	284	209
Imputed interest income from		
— trade receivables	**2**	4
— other receivable	**–**	6
Interest income from bank deposits	**74**	63
Repairs and maintenance income	**82**	45
Value-added-tax ("VAT") refund	**345**	186
Others	**178**	133
	973	651

10. OTHER GAINS AND LOSSES

	2014 HK$ million	2013 HK$ million
Exchange (loss) gain, net	**(31)**	9
Gain (loss) from changes in fair value of derivative financial instruments *(note 39)*	**10**	(3)
Impairment loss recognised in respect of available-for-sale investments *(note 24)*	**(12)**	(7)
Loss on disposal of property, plant and equipment	**(19)**	(45)
Special allowance for inventories *(Note)*	**(97)**	–
	(149)	(46)

Note: The Group had delivered certain inventories to an overseas customer with carrying amount of approximately HK$111 million. The management considers that the title of the inventories is not yet passed to the customer according to the shipping terms. Such overseas customer went bankruptcy during the current year. Both the Group and the overseas customer claimed the ownership over the inventories and the inventories were withheld by the custom in that country. The recoverability of those inventories becomes uncertain. After taking into account of the deposits received from the customer of approximately HK$14 million, the management considers that the net realisable value of the inventories should be written down by HK$97 million in the current year.

11. FINANCE COSTS

	2014 HK$ million	2013 HK$ million
Interest on bank borrowings wholly repayable within five years	**137**	110
Imputed interest expenses on obligations arising from put options written to non-controlling interests *(note 38)*	**26**	23
	163	133

12. INCOME TAX EXPENSE

	2014 HK$ million	2013 HK$ million
PRC income tax		
Current year	**330**	404
Overprovision in prior years	**(16)**	(1)
	314	403
Deferred taxation *(note 25)*	**(47)**	(71)
	267	332

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

12. INCOME TAX EXPENSE *(Continued)*

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

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

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.

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. HK$28 million (2013: nil) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year.

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

	2014 **HK$ million**	2013 HK$ million
Profit before taxation	**1,700**	1,926
Tax at applicable tax rate at 15% *(Note)*	**255**	289
Tax effect of expenses not deductible for tax purpose	**35**	27
Tax effect of income not taxable for tax purpose	**(42)**	(34)
Overprovision in prior years	**(16)**	(1)
Tax effect of tax losses not recognised	**24**	42
Utilisation of tax losses previously not recognised	**(23)**	(16)
Tax effect of share of results of joint ventures	**3**	2
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**25**	24
Others	**6**	(1)
Income tax expense for the year	**267**	332

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%.

12. INCOME TAX EXPENSE *(Continued)*

In 2011, the 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. Assessments/estimated assessments for the years of assessment 2002/2003 to 2007/2008 were issued to the relevant subsidiaries. Tax reserve certificates in an aggregate amount of approximately HK$9 million were purchased up to the date of this report. 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

	2014 **HK$ million**	2013 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Auditors' remunerations	**8**	9
Cost of inventories recognised as an expense including write-down of inventories of HK$43 million (2013: HK$80 million)	**31,789**	30,281
Cost of stock of properties recognised as an expense	**25**	105
Depreciation of property, plant and equipment	**395**	302
Depreciation of investment properties	**1**	–
Impairment loss on trade receivables	**47**	42
Operating lease rentals in respect of land and buildings	**134**	91
Release of prepaid lease payments on land use rights	**11**	9
Rental income from leasing of properties less related outgoings of HK$37 million (2013: HK$32 million)	**(85)**	(51)
Research costs recognised as an expense (including staff costs of HK$332 million (2013: HK$239 million))	**581**	343
Share of income tax expense of associates	**–**	1
Share of income tax expense of joint ventures	**–**	4
Special allowance for inventories *(note 10)*	**97**	–
Staff costs:		
— Directors' and chief executive's emoluments *(note 14)*	**71**	101
— Related staff costs for research activities	**332**	239
— Other staffs salaries, bonus, retirement benefits and others	**2,902**	2,816
	3,305	3,156

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2014 HK$'000	2013 HK$'000
Directors' fees	3,717	4,420
Other emoluments:		
Basic salaries and allowances	6,678	8,096
Retirement benefits scheme contributions	149	202
Performance related incentive payments *(Note)*	44,361	79,816
Share-based payments	16,044	8,658
	70,949	101,192

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 2013 and 31 March 2014.

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
2014						
Executive directors:						
Leung Chi Ching, Frederick (resigned with effect from 1 December 2013)	343	571	10	13,994	–	14,918
Lin Wei Ping	600	1,000	69	–	–	1,669
Yang Dongwen *(Note)*	600	1,997	15	22,582	6,665	31,859
Lu Rongchang	500	1,267	–	4,563	1,487	7,817
Shi Chi	–	1,060	46	986	3,204	5,296
Chan Wai Kay, Katherine (re-designated with effect from 9 September 2013)	550	783	9	2,236	4,688	8,266
	2,593	6,678	149	44,361	16,044	69,825
Independent non-executive directors:						
So Hon Cheung, Stephen	528	–	–	–	–	528
Li Weibin	528	–	–	–	–	528
Sun Shengdian (appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)	48	–	–	–	–	48
Wei Wei (appointed with effect from 18 March 2014)	20	–	–	–	–	20
	1,124	–	–	–	–	1,124
Total directors' emoluments	3,717	6,678	149	44,361	16,044	70,949

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
2013						
Executive directors:						
Zhang Xuebin (resigned with effect from 1 April 2013)	592	1,876	24	46,133	7	48,632
Leung Chi Ching, Frederick	600	1,000	15	6,481	5	8,101
Lin Wei Ping	600	1,000	69	–	5	1,674
Yang Dongwen *(Note)*	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

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

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors of the Company, whose emoluments are included in note 14 above. The emoluments of the remaining individual for the years ended 31 March 2013 and 31 March 2014 are as follows:

	2014 HK$ million	2013 HK$ million
Basic salaries, allowances and benefits in kind	**2**	2
Retirement benefit scheme contributions	**–**	–
Performance related incentive payments *(Note)*	**7**	10
Share-based payments	**1**	2
	10	14

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

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 years ended 31 March 2013 and 31 March 2014.

16. DIVIDENDS

	2014 HK$ million	2013 HK$ million
Dividends recognised as distribution during the year:		
2013 Final — HK11.0 cents (2013: 2012 Final dividend HK10.0 cents) per share	308	271
2014 Interim — HK8.5 cents (2013: 2013 Interim dividend HK7.0 cents) per share	239	193
	547	464

The final dividend of HK6.5 cents per share, totalling approximately HK$184 million, for the year ended 31 March 2014 is proposed by the directors of the Company on 24 June 2014. Such final dividend will be 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 2014.

	2014 HK$ million	2013 HK$ million
During the year, share dividends alternatives were offered as follows:		
2013 Final dividend (2013: 2012 Final dividend)		
Cash	303	86
Scrip dividends	5	185
	308	271
2014 Interim dividend (2013: 2013 Interim dividend)		
Cash	136	72
Scrip dividends	103	121
	239	193
	547	464

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:

	2014 HK$ million	2013 HK$ million
Earnings		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**1,254**	1,501
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,809,110,578**	2,735,023,092
Effect of dilutive potential ordinary shares in respect of outstanding share options	**4,086,482**	26,177,365
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,813,197,060**	2,761,200,457

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 years ended 31 March 2014 and 2013.

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 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
Additions	41	1,161	301	325	1,828
Disposals	–	–	(229)	(54)	(283)
Reclassification	1,076	(1,104)	15	13	–
Exchange realignment	(16)	(6)	(1)	(2)	(25)
At 31 March 2014	3,063	782	1,463	777	6,085
DEPRECIATION					
At 1 April 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
Provided for the year	103	–	119	173	395
Eliminated on disposals	–	–	(204)	(36)	(240)
Exchange realignment	(2)	–	–	(1)	(3)
At 31 March 2014	522	–	747	380	1,649
CARRYING VALUES					
At 31 March 2014	2,541	782	716	397	4,436
At 31 March 2013	1,541	731	545	251	3,068

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$517 million (2013: HK$96 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:

	2014 HK$ million	2013 HK$ million
Leasehold land and buildings:		
In the PRC held under		
— long term leases	**32**	35
— medium-term leases	**916**	502
	948	537
In Hong Kong held under long term leases	**16**	16
	964	553
Buildings:		
In the PRC held under medium-term leases	**1,577**	988
	2,541	1,541
Construction in progress:		
In the PRC held under medium-term leases	**782**	731
	3,323	2,272

19. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2012, 31 March 2013 and 31 March 2014	13
DEPRECIATION	
At 1 April 2012 and 31 March 2013	2
Provided for the year	1
At 31 March 2014	3
CARRYING VALUES	
At 31 March 2014	10
At 31 March 2013	11

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

The investment properties shown above represent leasehold land and buildings in Hong Kong held under long term leases.

The fair value of the Group's investment properties at 31 March 2014 was approximately HK$71 million (2013: HK$65 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 fair value was determined based on the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2014 are as follows:

	Level 3 HK$ million	**Fair value HK$ million**
Completed investment properties located in Hong Kong	**10**	**71**

20. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2014 HK$ million	2013 HK$ million
Balance at 1 April	455	426
Additions	24	34
Released during the year	(11)	(9)
Exchange realignment	–	4
Balance at 31 March	468	455

	2014 HK$ million	2013 HK$ million
Analysed for reporting purposes as:		
Non-current assets	457	445
Current assets	11	10
	468	455

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

On 21 October 2013, 新創維電器(深圳)有限公司 ("新創維電器") and 深圳創維置業有限公司 ("創維置業"), indirect wholly-owned subsidiaries of the Company, entered into an agreement with COFCO Properties Group Shenzhen Real Estate Development Co., Ltd. ("COFCO Properties") in relation to the land situated in Shenzhen Gongming Town in the PRC at an agreed consideration of RMB1.65 billion for the disposal of the land. Under the cooperation agreement, 新創維電器 and 創維置業 have agreed, to (1) relocate all of their existing production facilities and machineries currently situated on the land to another location in the PRC; (2) vacate all of the existing properties and buildings situated on the land; and (3) work together with COFCO Properties to facilitate a specific project company nominated by COFCO Properties to apply to become the named developer of the land and to obtain the land planning permit. Such transaction is subject to the approvals from the relevant PRC government authorities and the fulfilment of the conditions by 新創維電器 and 創維置業.

21. INTERESTS IN ASSOCIATES

	2014 HK$ million	2013 HK$ million
Capital contributions	10	10
Share of post-acquisition profits	4	3
	14	13

21. INTERESTS IN ASSOCIATES *(Continued)*

The following set out the particulars of the associates of the Group as at 31 March 2014 and 31 March 2013 which, in the opinion of the directors, principally affected the results or net assets of the Group.

Name of associates	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group 2014	Effective interest held by the Group 2013	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%**	34%	Manufacturing and sales of consumer electronic products

All of these associates are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associates that are not individually material

	2014 HK$ million	2013 HK$ million
The Group's share of profit and total comprehensive income for the year	**1**	3

	2014 HK$ million	2013 HK$ million
Aggregate carrying amount of the Group's interests in these associates	**14**	13

22. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2014 **HK$ million**	2013 HK$ million
Cost of unlisted investments and share of post-acquisition profits, net of dividends received	**44**	192
Exchange realignment	**15**	27
	59	219

The joint ventures are accounted for using the equity method in these consolidated financial statements.

During the year, a joint venture of the Group deregistered and the capital of HK$29 million was returned to the Group.

Aggregate information of joint ventures that are not individually material

	2014 **HK$ million**	2013 HK$ million
The Group's share of loss and total comprehensive expense for the year	**(21)**	(13)

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

	2014 **HK$ million**	2013 HK$ million
The unrecognised share of losses of joint ventures for the year	**8**	–
Cumulative unrecognised share of losses of joint ventures	**46**	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 (“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.

The consideration paid had not been recognised as an investment of the Group. The Major Shareholder had retained control and significant risks and rewards of ownership over the Unlisted Equity Securities. Therefore, the consideration paid by the Group were previously classified as other receivable which was interest-free and considered to be repayable on demand after the 5 year lock-up period.

As at 31 March 2013, the Group did not expect such options to be exercised within one year from the end of the reporting period, accordingly, such receivable was classified as a non-current asset.

During the current year, the Group decided to invest in another available-for-sales investments controlled by the Major Shareholder. Due to the capital requirement for investing in these available-for-sales investments, the Group decided to exercise the option and the amount of HK$108 million was fully repaid by the Major Shareholder.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **HK$ million**	2013 HK$ million
Unlisted equity securities, at cost		
— in Hong Kong	**9**	8
— in the PRC	**520**	202
— in overseas	**72**	30
Less: Impairment loss recognised	**(26)**	(18)
	575	222
Listed equity securities		
— in Hong Kong, at fair values	**79**	83
Other financial instruments, at cost		
— in the PRC	**321**	–
	975	305
Analysed for reporting purposes as:		
Non-current assets	**691**	305
Current assets	**284**	–
	975	305

The unlisted equity and other unlisted 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$12 million (2013: HK$7 million) is required to be made.

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 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
(Credit) charge to profit or loss	(13)	(3)	(5)	(28)	2	(47)
At 31 March 2014	(14)	(4)	(34)	75	(29)	(6)

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:

	2014 HK$ million	2013 HK$ million
Deferred tax assets	**(150)**	(137)
Deferred tax liabilities	**144**	178
	(6)	41

Notes:

(1) At the end of the reporting period, the Group has unutilised tax losses of HK$990 million (2013: HK$972 million) available for offset against future profits. Deferred tax asset has been recognised in respect of such tax losses of HK$24 million (2013: HK$6 million). No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$966 million (2013: HK$966 million) due to the unpredictability of future profit streams.

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

	2014 HK$ million	2013 HK$ million
2014	**–**	28
2015	**14**	20
2016	**32**	67
2017	**113**	113
2018	**152**	170
2019	**135**	–
Carried forward indefinitely	**520**	568
	966	966

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$5,320 million (2013: HK$4,760 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

	2014 **HK$ million**	2013 HK$ million
Raw materials	**1,137**	1,584
Work in progress	**290**	356
Finished goods	**2,761**	3,169
	4,188	5,109

27. STOCK OF PROPERTIES

	2014 **HK$ million**	2013 HK$ million
Properties for sales		
— under development	**656**	539

Included in the properties under development are amounts of HK$530 million (2013: HK$496 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of HK$258 million (2013: HK$16 million) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 36.

28. HELD-TO-MATURITY INVESTMENTS

	2014 HK$ million	2013 HK$ million
Unlisted debt securities — in the PRC	325	–

The Group's held-to-maturity investments represent debt securities that carry fixed interest at 7.00% to 7.80% per annum. None of these assets has been past due or impaired at the end of the reporting period. The maturity profile of the above held-to-maturity debt securities categorised by the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	2014 HK$ million	2013 HK$ million
Remaining maturity:		
Less than 3 months	63	–
3 months to 1 year	262	–
	325	–

29. 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 to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 to 4.5 years.

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

29. 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:

	2014 HK$ million	2013 HK$ million
Within 30 days	**1,852**	1,784
31 to 60 days	**399**	387
61 to 90 days	**416**	325
91 to 365 days	**1,184**	934
Over 365 days	**496**	413
Trade receivables	**4,347**	3,843
Purchase deposits paid for materials	**237**	360
Receivables from government for refunds paid to customers on buying energy-saving products	**157**	1,208
VAT receivables	**377**	329
Other deposits paid, prepayments and other receivables	**669**	473
	5,787	6,213

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$1,997 million (2013: HK$1,623 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.

Included in trade receivables, an amount of HK$4 million (2013: HK$19 million) has credit period of over one year. During the year ended 31 March 2013, receivables with principal amount of HK$21 million was recorded at initial recognition at its present value of HK$19 million. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables was ranging from 5.4% to 7.85% per annum.

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

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

	2014 **HK$ million**	2013 HK$ million
Overdue:		
Within 30 days	**723**	644
31 to 60 days	**277**	184
61 to 90 days	**154**	144
91 days or over	**843**	651
	1,997	1,623

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 receivables, with exposure spread over a number of counterparties and customers.

Movements in the allowance for doubtful debts is as follows:

	2014 **HK$ million**	2013 HK$ million
Balance at 1 April	**130**	92
Impairment loss recognised on trade receivables	**47**	42
Amounts uncollectible written off	**(5)**	(6)
Exchange realignment	**3**	2
Balance at 31 March	**175**	130

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$175 million (2013: HK$130 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

30. BILLS RECEIVABLE

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

	2014 HK$ million	2013 HK$ million
Within 30 days	**2,417**	1,388
31 to 60 days	**1,458**	1,267
61 to 90 days	**1,822**	2,108
91 days or over	**3,947**	3,519
Bills endorsed to suppliers with recourse	**123**	1,491
Bills discounted to banks with recourse	**294**	–
	10,061	9,773

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 substantially the 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 42 and 36 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.

31. LOAN TO A JOINT VENTURE

The loan to a joint venture is unsecured, carries interest at 7% per annum and repayable on 5 December 2014.

32. AMOUNTS DUE FROM JOINT VENTURES

The amounts due from joint ventures are unsecured, interest-free and fully repaid during the year.

33. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are trade balances, unsecured, interest-free and with credit terms ranging from 30 days to 60 days.

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

	2014 HK$ million	2013 HK$ million
Within 30 days	35	–
31 to 60 days	16	–
61 to 90 days	72	–
	123	–

At the end of the reporting period, all the trade receivables with associates are debtors which are not yet due. The Group does not hold any collateral over these balances.

34. STRUCTURED BANK DEPOSIT

During the year ended 31 March 2013, the Group entered into a commodities-linked structured contract with banks of RMB20 million. The structured bank deposit is principal-protected yield enhancement bank deposit and contains embedded derivatives, of which the return varies depending on the price of certain commodities. Such structured bank deposit was withdrew upon its maturity during the current year.

The structure 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 per-determined dates.

35. 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 (2013: 0.01% to 3.00% per annum).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.35% to 3.50% per annum (2013: 0.35% to 2.60% per annum).

Included in bank balances and cash as at 31 March 2014 are restricted bank deposits of HK$105 million (2013: HK$16 million) which can only be applied to designated property projects of the Group.

36. 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:

	2014 **HK$ million**	2013 HK$ million
Within 30 days	**2,586**	2,425
31 to 60 days	**610**	766
61 to 90 days	**781**	650
91 days or over	**705**	356
Trade payables under endorsed bills	**123**	1,491
Trade payables	**4,805**	5,688
Accrued selling and distribution expenses	**376**	375
Accruals and other payables	**866**	571
Accrued staff costs	**574**	826
Deposits received for sales of goods	**1,042**	963
Deposits received for sales of properties	**258**	16
Membership fee received	**224**	55
Other deposits received	**428**	371
Payables for purchase of property, plant and equipment	**46**	110
Sales rebate payable	**552**	513
VAT payable	**70**	98
	9,241	9,586

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

37. BILLS PAYABLE

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

	2014 **HK$ million**	2013 HK$ million
Within 30 days	**855**	509
31 to 60 days	**955**	417
61 to 90 days	**871**	235
91 days or over	**1,413**	538
	4,094	1,699

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

38. 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 2014, a liability of HK$242 million (2013: HK$193 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. Such put option has not been exercised by the purchasers up to the end of the reporting period and the obligations arising from such option remain as a current liability.

As at 31 March 2014, 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$243 million (2013: HK$217 million) has been recognised and presented as a current liability in the consolidated statement of financial position.

38. 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:

	2014 HK$ million	2013 HK$ million
At the beginning of the year	**410**	362
Imputed interest expenses for the year	**26**	23
Changes in estimated redemption price regarding put options to the Employees recognised in equity	**49**	31
Dividends paid for the year	**–**	(11)
Exchange realignment	**–**	5
At the end of the year	**485**	410

39. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 HK$ million	2013 HK$ million
Derivative financial instruments are analysed as:		
Derivative not under hedge accounting:		
Foreign currency forward contracts *(Note 1)*	**(5)**	–
Derivative under hedge accounting:		
Cross-currency interest rate swap *(Note 4)*	**–**	(10)
	(5)	(10)

	2014 HK$ million	2013 HK$ million
Gain (loss) from changes in fair value of derivative financial instruments:		
Foreign currency forward contracts *(Note 1)*	**(5)**	(5)
Performance swap contract *(Note 2)*	**12**	2
Target redemption forward contracts *(Note 3)*	**3**	–
	10	(3)

39. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Note 1: Foreign currency forward contracts

During the year, the Group has entered into arrangements with an established commercial bank in the PRC that the Group borrowed one year RMB borrowings from the bank. At the same time, the Group (a) placed one year fixed deposits (amounted to the HK$/US$ equivalent of the respective amounts of RMB loans plus interests thereon) to the bank as security against the RMB borrowings, and (b) entered into forward contracts with the banks to purchase RMB (amounted to the RMB loans plus interests thereon) in HK$/US$ at predetermined forward rates.

Other than the arrangements as described in above, the Group also entered into foreign currency forward contracts with an established commercial bank in the PRC to purchase RMB in HK$/US$ at predetermined forward rates.

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

Aggregate principal amount	Maturity	Forward exchange rate (net settlement)
As at 31 March 2014		
RMB125,553,353	From July 2014 to September 2014	Buy RMB/sell HK$ at 0.7972 to 0.7997
RMB331,895,834	From October 2014 to December 2014	Buy RMB/sell HK$ at 0.7917 to 0.7960
RMB210,923,806	From October 2014 to December 2014	Buy RMB/sell US$ at 6.1733 to 6.1960

At 31 March 2014, the fair value of the Group's foreign currency forward contracts was estimated to be a liability of HK$5 million (2013: nil). 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 (2013: HK$5 million) has been recognised in profit or loss.

Note 2: Performance swap contract

During the year, the Group entered into a performance swap contract with a bank, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates and foreign currency exposure in relation to its payables arising from time to time denominated 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$50,000,000 has interest payments in US$ at US$-LIBOR-British Bankers' Association ("BBA") per annum capped at 0.6% per annum and floating interest receipts in US$ at 1.5% plus US$-LIBOR-BBA per annum for periods up to March 2014; and

- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2015, 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 6.200 to 6.340, 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$15 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

39. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Note 2: Performance swap contract *(Continued)*

Gain from change in fair value of HK$12 million in respect of this contract has been recognised in profit or loss for the year ended 31 March 2014. Such contract was knocked-out and terminated during the year.

During the year ended 31 March 2013, gain from change in fair value of HK$2 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 2013.

Note 3: Target redemption forward contracts

During the year, 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 18 different expiry dates, save for the event leading to the knock-out and termination of the contract as discussed below.

At each expiry date:

(i) if the US$ to RMB spot exchange rate (the "Spot Rates 2") is less than or equal to the lower barrier rate (buy US$/sell RMB at 6.2700, the "Lower Barrier Rate"), the Group would receive a net settlement calculated based on the difference between the Spot Rates 2 and the Lower Barrier Rate times a notional amount of US$5 million, settled in RMB equivalent.

    The contract would be knocked-out and terminated when the Spot Rates 2 is less than or equal to 6.1100 or when Spot Rates 2 over Lower Barrier Rate is greater than or equal to 0.3 in aggregate as stipulated in the contract;

(ii) if the Spot Rates 2 is greater than the upper barrier rate (buy US$/sell RMB at 6.3500, the "Upper Barrier Rate"), the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 2 and the Lower Barrier Rate times a notional amount of US$3 million, settled in RMB equivalent; and

(iii) if the Spot Rates 2 is greater than the Lower Barrier Rate and less than or equal to the Upper Barrier Rate, there would have no settlement.

Gain from change in fair value of HK$3 million in respect of this contract has been recognised in profit or loss for the year ended 31 March 2014. Such contract was knocked-out and terminated in the year.

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.

39. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Note 4: Cross-currency interest rate swap *(Continued)*

As at 31 March 2013, the outstanding notional amount is amounting to US$40,000,000 (equivalent to HK$311 million). During the year, the Group has fully repaid the corresponding US$ bank borrowing in accordance with the repayment schedules and such arrangements are expired during the year.

The fair value of the above cross-currency interest rate swap was determined based on valuation provided by the counterparty bank.

Loss from changes in fair value of HK$3 million (2013: nil) in respect of this contact has been recognised in other comprehensive income and accumulated in hedging reserve and HK$13 million (2013: HK$10 million) of the loss has been reclassified to profit and loss.

40. PROVISION FOR WARRANTY

	2014 **HK$ million**	2013 HK$ million
Balance at 1 April	**173**	133
Additional provision in respect of current year's sales	**189**	158
Utilised	**(162)**	(120)
Exchange realignments	**(1)**	2
Balance at 31 March	**199**	173

	2014 **HK$ million**	2013 HK$ million
Analysed for reporting purposes as:		
Current liabilities	**149**	133
Non-current liabilities	**50**	40
	199	173

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.

41. AMOUNTS DUE TO JOINT VENTURES AND ASSOCIATES

The amounts due to joint ventures 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:

	2014 **HK$ million**	2013 HK$ million
Within 30 days	**12**	43
31 to 60 days	**5**	17
61 to 90 days	**–**	5
	17	65

42. BANK BORROWINGS

	2014 **HK$ million**	2013 HK$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**294**	–
Borrowings associated with foreign currency forward contracts *(note 39(1))*	**829**	–
Other bank borrowings	**4,580**	5,806
	5,703	5,806
Secured	**2,060**	3,282
Unsecured	**3,643**	2,524
	5,703	5,806

42. BANK BORROWINGS *(Continued)*

	2014 HK$ million	2013 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	**552**	155
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**4,604**	5,426
More than two years but not more than five years	**250**	225
More than five years	**297**	–
	5,151	5,651
	5,703	5,806
Less: Amounts due within one year shown under current liabilities	**(5,156)**	(5,581)
Amounts shown under non-current liabilities	**547**	225

Included in the balance as at 31 March 2014 are fixed-rate bank borrowings of HK$4,846 million (2013: HK$2,788 million) which carry interest at rates ranging from 1.87% to 6.15% per annum (2013: 1.46% to 6.15% per annum). In addition, there was floating-rate bank borrowing amounting to US$40,000,000 as at 31 March 2013 (equivalent to HK$311 million) which was hedged by the cross-currency interest rate swap as disclosed in note 39(4) and fully repaid during the year.

All other bank borrowings are carried interest at variable market interest rates, which are based on LIBOR or PBOC lending rate plus a specific margin, ranging from 0.50% to 6.55% per annum (2013: 1.10% to 8.60% per annum).

As at the end of the reporting period, the Group had foreign currencies denominated bank borrowings of US$520 million (equivalent to HK$4,034 million) (2013: US$665 million (equivalent to HK$5,165 million)) and EUR78 million (equivalent to HK$829 million) (2013: nil). All other bank borrowings are denominated in the respective functional currencies of the group entities.

43. DEFERRED INCOME

	2014 HK$ million	2013 HK$ million
Deferred income	**742**	706
Less: Amount to be recognised as income within one year included in current liabilities	**(188)**	–
Amount to be recognised as income after one year	**554**	706

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$284 million (2013: HK$209 million).

44. SHARE CAPITAL

	Number of shares	**Share capital** HK$ million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2012, 31 March 2013 and 31 March 2014	10,000,000,000	1,000
Issued and fully paid:		
At 1 April 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
Issue of shares upon exercise of share options	1,256,000	–
Issue of shares under scrip dividend scheme	25,913,926	3
At 31 March 2014	2,830,601,395	283

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

Details of the exercise of share options during the years ended 31 March 2013 and 31 March 2014 are set out in note 46.

45. 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 recourse 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 36 and 42, 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.

	2014		2013	
	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	**123**	**294**	1,491	–
Carrying amount of associated liabilities	**(123)**	**(294)**	(1,491)	–
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 2014, the Group has derecognised these bills receivable and the payables to suppliers amounting to HK$68 million (2013: HK$258 million) in their entirety, which approximate their fair value as at the end of reporting period. 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 2014, 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$68 million (2013: HK$258 million).

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.

46. 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, lapsed 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 93,409,500 (2013: 70,165,500) representing approximately 3.3% (2013: 2.50%) of the issued share capital of the Company as at the end of the reporting period.

46. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2014

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme during the year ended 31 March 2014:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2014
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	404,500	–	(404,500)	–	–
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	738,500	–	(738,500)	–	–
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	1,164,500	–	(91,000)	–	1,073,500
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	2,834,000	–	–	–	2,834,000
26 November 2008	0.415	26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	24,000	–	–	–	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 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	–	(22,000)	–	9,978,000
		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

46. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2014 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2014
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 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 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

46. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2014 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2014
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
28 June 2013	3.982	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	2,000,000	–	–	2,000,000

46. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2014 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2014
29 July 2013	3.99	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	260,000	–	–	**260,000**
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	260,000	–	–	**260,000**
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	260,000	–	–	**260,000**
		29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	260,000	–	–	**260,000**
		29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	260,000	–	–	**260,000**
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	240,000	–	–	**240,000**
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	240,000	–	–	**240,000**
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	240,000	–	–	**240,000**
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	240,000	–	–	**240,000**
		9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	240,000	–	–	**240,000**
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,500,000	–	–	**2,500,000**
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,500,000	–	–	**2,500,000**
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,500,000	–	–	**2,500,000**
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,500,000	–	–	**2,500,000**

46. SHARE OPTIONS *(Continued)*

For the year ended 31 March 2014 *(Continued)*

Under 2008 Share Option Scheme *(Continued)*

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2014
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	400,000	–	–	**400,000**
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	400,000	–	–	**400,000**
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	400,000	–	–	**400,000**
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	400,000	–	–	**400,000**
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	400,000	–	–	**400,000**
				70,165,500	24,500,000	(1,256,000)	–	**93,409,500**

Notes:

(a) 24,500,000 share options were granted under 2008 Share Option Scheme during the year ended 31 March 2014.

(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 2014 was HK$4.79.

46. 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 c)*	Exercised during the year *(Note d)*	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)	–
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)	–

46. 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 c)*	Exercised during the year *(Note d)*	Lapsed during the year	Outstanding at 31 March 2013
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:

(c) No share option was granted under 2002 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$3.25.

46. 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 e)*	Exercised during the year *(Note f)*	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

46. 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 e)*	Exercised during the year *(Note f)*	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 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 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

46. 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 e)*	Exercised during the year *(Note f)*	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:

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

(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 2013 was HK$4.28.

47. 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$36 million (2013: HK$46 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 years ended 31 March 2013 and 31 March 2014 are disclosed in note 46. A summary of which is presented below:

	2014		2013	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**70,165,500**	**4.271**	150,739,500	2.660
Granted during the year	**24,500,000**	**4.178**	1,100,000	4.582
Exercised during the year	**(1,256,000)**	**0.445**	(20,945,000)	0.607
Lapsed during the year	**–**	**–**	(60,729,000)	1.541
Outstanding at the end of the year	**93,409,500**	**4.298**	70,165,500	4.271
Exercisable at the end of the year	**31,789,500**		9,745,500	

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.788 (2013: HK$3.727). The share options outstanding as at 31 March 2014 have a weighted average remaining contractual life of 4.5 years (2013: 5.5 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2013: 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	Vesting period	Exercisable period	Fair value per option HK$	Total fair value of options granted HK$	Closing share price at date of grant HK$	Exercise price HK$	Expected volatility %	Dividend yield %	Expected interest rate %	Risk free sub-optimal factor
28 June 2013	2,000,000	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.4986	2,997,200	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.4978	2,995,600	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4930	2,986,000	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4828	2,965,600	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4687	2,937,400	3.92	3.982	59.9810	4.2784	1.2957	11.99
	10,000,000				14,881,800						

47. SHARE-BASED PAYMENTS *(Continued)*

Note (i) Share options *(Continued)*

Date of grant	Number of share options granted	Vesting period	Exercisable period	Fair value per option HK$	Total fair value of options granted HK$	Closing share price at date of grant HK$	Exercise price HK$	Expected volatility %	Dividend yield %	Expected interest rate %	Risk free sub-optimal factor
29 July 2013	260,000	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5016	390,416	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5011	390,286	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4976	389,376	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4894	387,244	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4774	384,124	3.99	3.99	59.3510	4.2784	1.0239	12.84
	1,300,000				1,941,446						
9 September 2013	240,000	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5852	380,448	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5848	380,352	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.5816	379,584	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.5733	377,592	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.5608	374,592	4.21	4.368	59.5720	4.2784	1.8483	12.84
	1,200,000				1,892,568						
9 September 2013	2,500,000	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5891	3,972,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5886	3,971,500	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.5847	3,961,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.5751	3,937,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
	10,000,000				15,843,750						
19 September 2013	400,000	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.4272	570,880	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.4269	570,760	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4241	569,640	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4167	566,680	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4055	562,200	3.94	4.212	59.1450	4.2784	1.3702	12.84
	2,000,000				2,840,160						
	24,500,000				37,399,724						

47. SHARE-BASED PAYMENTS *(Continued)*

Note (i) Share options *(Continued)*

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$36 million (2013: HK$42 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 ended 31 March 2013 in relation to sale of SSDT shares.

48. PLEDGE OF ASSETS

At 31 March 2014, 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$71 million (2013: HK$76 million) and HK$21 million (2013: HK$50 million) respectively; and

(b) pledged bank deposits of HK$1,572 million (2013: HK$623 million).

In addition, there was structured bank deposit of HK$25 million pledged as of 31 March 2013.

49. 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:

	2014 **HK$ million**	2013 HK$ million
Within one year	**39**	38
In the second to fifth year inclusive	**14**	35
Over five years	**2**	3
	55	76

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.

49. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

During the year, the Group earned rental income of HK$122 million (2013: HK$83 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to ten years (2013: 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:

	2014 HK$ million	2013 HK$ million
Within one year	**175**	43
In the second to fifth year inclusive	**404**	20
Over five years	**45**	–
	624	63

50. CAPITAL COMMITMENTS

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

	2014 HK$ million	2013 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**117**	52
Factory buildings and office premises under development	**513**	762
Investment in an available-for-sale investment	**560**	880
	1,190	1,694
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**–**	5
Factory buildings and office premises under development	**641**	–
	641	5

51. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2013 Final dividend and 2014 Interim dividend of HK$5 million (2013: 2012 Final dividend of HK$185 million) and HK$103 million (2013: 2013 Interim dividend of HK$121 million) respectively. Details are set out in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

52. CONTINGENT LIABILITIES

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.

53. 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:

	2014 **HK$ million**	2013 HK$ million
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**253**	188
Total retirement benefit scheme contributions	**254**	189

At both 31 March 2014 and 31 March 2013, there were no forfeited contributions available to offset future employers' contributions to the schemes.

54. RELATED PARTY TRANSACTIONS

Trading transactions

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

Joint ventures

	2014 HK$ million	2013 HK$ million
Advertising and promotional expenses paid	2	7
Sales of finished goods	22	–
Sales of raw materials	–	5
Purchases of finished goods	43	–
Purchases of raw materials	28	20

Associates

	2014 HK$ million	2013 HK$ million
Sales of finished goods	346	–
Purchases of raw materials	101	114

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:

	2014 HK$ million	2013 HK$ million
Short-term benefits	84	94
Post-employment benefits	1	1
Share-based payments	22	17
	107	112

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.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2014 and 31 March 2013 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company (Note a) 2014	2013	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 創維投資(控股)有限公司	The British Virgin Islands	Ordinary shares HK$893 Preference shares HK$990	**100%**	100%	Investment holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK$30,600,000 Non-voting deferred shares HK$2,500,000 *(Note b)*	**100%**	100%	Procurement of raw materials and investment holding
深圳創維 — 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(蒙古)有限公司	PRC *(Note c)*	Registered capital US$10,000,000	**100%**	100%	Manufacture and sale of consumer electronic products

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company *(Note a)* 2014	2013	Principal activities
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	PRC *(Note c)*	Registered capital HK$1,830,000,000	**100%**	100%	Investment holding
Skyworth Macao Commercial Offshore Company Limited 創維澳門離岸商業服務有限公司	Macau	Ordinary shares MOP$100,000	**100%**	100%	Research and development and trading of consumer electronic products
Skyworth Multimedia International Limited 創維多媒體國際有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
創維多媒體(深圳)有限公司	PRC *(Note d)*	Registered capital US$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

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company (Note a) 2014	2013	Principal activities
深圳創維數字技術股份有限公司 Shenzhen Skyworth Digital Technology Co., Ltd.	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%**	83%	Manufacture and sale of consumer electronic products and research and products development
Skyworth Intellectual Property Holdings Limited	The British Virgin Islands	Ordinary share US$1	**100%**	100%	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands	Ordinary shares US$10	**100%**	100%	Investment holding
Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司	Bermuda	Ordinary shares HK$100,000	**83%**	83%	Investment holding

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company *(Note a)* 2014	2013	Principal activities
Skyworth Electronic Appliance Limited 創維電器有限公司	Hong Kong	Ordinary shares HK$116,392,500	**75%**	n/a	Investment holding
南京創維家用電器有限公司	PRC *(Note d)*	Registered capital US$15,000,000	**75%**	n/a	Manufacture and sale of consumer electronic products and research and products development
創維集團財務有限公司	PRC *(Note d)*	Registered capital RMB1,000,000,000	**100%**	n/a	Financing
創維創業投資有限公司	PRC *(Note d)*	Registered capital RMB100,000,000	**100%**	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.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$ million	HK$ million	**HK$ million**	HK$ million
Shenzhen Skyworth Digital Technology Co., Ltd.	PRC	**30%**	30%	**125**	86	**664**	539
Individually immaterial subsidiaries with non-controlling interest				**80**	30	**347**	138
Adjustments arising from obligations arising from put options written to non-controlling interests *(note 38)*				**(26)**	(23)	**(485)**	(410)
				179	93	**526**	267

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2014	2013
	HK$ million	HK$ million
Shenzhen Skyworth Digital Technology Co., Ltd.		
Current assets	**3,891**	3,687
Non-current assets	**300**	279
Current liabilities	**(1,895)**	(2,092)
Non-current liabilities	**(83)**	(75)
	2,213	1,799
Equity attributable to owners of the Company	**2,179**	1,767
Non-controlling interests	**34**	32
	2,213	1,799

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

	2014 HK$ million	2013 HK$ million
Shenzhen Skyworth Digital Technology Co. Ltd.		
Revenue	**4,257**	3,994
Expenses	**(3,840)**	(3,708)
Profit for the year	**417**	286
Profit attributable to owners of the Company	**415**	296
Profit (loss) attributable to the non-controlling interests	**2**	(10)
Profit for the year	**417**	286
Total comprehensive income attributable to owners of the Company	**471**	325
Total comprehensive income attributable to the non-controlling interests	**2**	(10)
Total comprehensive income for the year	**473**	315
Dividends paid to non-controlling interests	**–**	(19)
Net cash inflow from operating activities	**158**	262
Net cash outflow from investing activities	**(54)**	(144)
Net cash outflow from financing activities	**(9)**	(106)
Net cash inflow	**95**	12

None of the subsidiaries had issued any debt securities outstanding at 31 March 2014 and 31 March 2013 or at any time during the year.

SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$ million	2013 HK$ million
Investments in subsidiaries	**1,450**	1,450
Amounts due from subsidiaries	**4,273**	3,448
Other current assets	**4**	4
Amounts due to subsidiaries	**(906)**	(413)
	4,821	4,489
Share capital	**283**	280
Share premium	**2,501**	2,396
Reserves	**2,037**	1,813
	4,821	4,489

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	**39,480**	37,824	28,137	24,339	22,769
Cost of sales	**(31,851)**	(30,418)	(22,181)	(19,676)	(17,896)
Gross profit	**7,629**	7,406	5,956	4,663	4,873
Other income	**973**	651	485	390	402
Other gains and losses	**(149)**	(46)	(41)	101	33
Selling and distribution expenses	**(4,925)**	(4,554)	(3,771)	(2,854)	(2,968)
General and administrative expenses	**(1,645)**	(1,388)	(906)	(696)	(680)
Finance costs	**(163)**	(133)	(177)	(139)	(122)
Share of results of associates	**1**	3	–	–	–
Share of results of joint ventures	**(21)**	(13)	30	29	14
Profit before taxation	**1,700**	1,926	1,576	1,494	1,552
Income tax expense	**(267)**	(332)	(308)	(213)	(226)
Profit for the year	**1,433**	1,594	1,268	1,281	1,326
Attributable to:					
Owners of the Company	**1,254**	1,501	1,252	1,174	1,251
Non-controlling interests	**179**	93	16	107	75
	1,433	1,594	1,268	1,281	1,326

ASSETS AND LIABILITIES

	At 31 March				
	2014	2013	2012	2011	2010
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	**32,144**	29,063	22,224	18,675	19,222
Total consolidated liabilities	**(20,796)**	(18,827)	(13,556)	(11,426)	(13,368)
Net assets	**11,348**	10,236	8,668	7,249	5,854
Attributable to:					
Owners of the Company	**10,822**	9,969	8,469	7,074	5,773
Non-controlling interests	**526**	267	199	175	81
	11,348	10,236	8,668	7,249	5,854

FINANCIAL REVIEW

For the year ended 31 March

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

	2014	2013	2012	2011	2010
OPERATING RESULTS					
Turnover	**39,480**	37,824	28,137	24,339	22,769
Operating profit (EBIT)	**1,837**	2,036	1,732	1,615	1,660
Profit attributable to owners of the Company	**1,254**	1,501	1,252	1,174	1,251
DATA PER SHARE (HK CENTS)					
Earnings per share — basic	**44.64**	54.88	47.52	45.90	52.32
Dividend per share	**15.00**	18.00	15.50	14.00	16.00
Dividend payout ratio	**33.6%**	32.8%	32.6%	30.5%	30.6%
KEY STATISTICS					
Equity attributable to owners of the Company	**10,822**	9,969	8,469	7,074	5,773
Working capital	**6,679**	6,955	6,819	6,012	4,268
Cash position*	**4,595**	2,949	3,018	3,118	4,585
Bank borrowings excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**4,580**	5,806	3,791	3,612	968
Bills receivable	**10,061**	9,773	9,118	7,251	6,938
Trade receivables	**4,347**	3,843	2,505	2,051	1,584
Inventories	**4,188**	5,109	3,151	2,657	3,298
Depreciation and amortisation	**406**	311	237	266	226
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	**11.6**	15.1	14.8	16.6	21.7
Return on total assets (ROA) (%)	**3.9**	5.2	5.6	6.3	6.9
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**40.4**	56.7	43.7	49.8	16.5
Net debt to equity**	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.3**	1.4	1.6	1.6	1.3
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	**128**	120	129	103	78
Inventories turnover period (days)***	**54**	50	48	55	47
Gross profit margin (%)	**19.3**	19.6	21.2	19.2	21.4
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**5.7**	6.2	7.0	7.7	8.3
Earnings before interest and taxation (EBIT) margin (%)	**4.7**	5.4	6.2	6.7	7.3
Profits margin (%)	**3.6**	4.2	4.5	4.8	5.8

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

** Calculation based on (cash position + bills receivable — bank loans)/equity at year end

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors ("EDs")

Ms. Lin Wei Ping *(Executive Chairperson)*
Mr. Yang Dongwen *(Chief Executive Officer)*
Mr. Lu Rongchang
Mr. Shi Chi
Ms. Chan Wai Kay, Katherine
(Re-designated from INED to ED with effect from 9 September 2013)
Mr. Leung Chi Ching, Frederick
(Resigned with effect from 1 December 2013)

Independent Non-executive Directors ("INEDs")

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Mr. Wei Wei *(Appointed with effect from 18 March 2014)*
Mr. Sun Shengdian *(Appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)*

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen *(Chairperson)*
Mr. Li Weibin
Mr. Wei Wei *(Appointed with effect from 18 March 2014)*
Mr. Sun Shengdian *(Appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)*

Executive Committee

Ms. Lin Wei Ping *(Chairperson)*
Mr. Yang Dongwen
Mr. Lu Rongchang
Mr. Shi Chi
Ms. Chan Wai Kay, Katherine
Mr. Liu Tangzhi
Mr. Sun Ruikun
Mr. Lam Shing Choi, Eric
Mr. Wang Dehui
Mr. Sun Weizhong
Mr. Peng Jin
Mr. Wu Qinan
Mr. Li Xiaofang
Mr. Guo Limin
Ms. Shao Meifang

Remuneration Committee

Mr. Li Weibin *(Chairperson)*
Mr. So Hon Cheung, Stephen
Mr. Wei Wei *(Appointed with effect from 18 March 2014)*
Ms. Lin Wei Ping
Ms. Chan Wai Kay, Katherine *(Resigned as a member with effect from 19 September 2013)*
Mr. Sun Shengdian *(Appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)*

Nomination Committee

Mr. Wei Wei *(Chairperson, appointed as a member with effect from 18 March 2014)*
Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Ms. Chan Wai Kay, Katherine *(Re-designated from INED to ED as an executive director with effect from 9 September 2013)*
Mr. Leung Chi Ching, Frederick *(Resigned as a member with effect from 19 September 2013)*
Mr. Sun Shengdian *(Appointed with effect from 23 September 2013 and resigned with effect from 18 March 2014)*

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

CORPORATE INFORMATION

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler
Michael Li & Co.

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Development Bank Corporation
China Merchants Bank Co., Limited
Citic Bank International Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
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

Codan Services Limited
Clarendon House
2 Church 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 2013/2014

Results Announcement Date

Annual Results: 24 June 2014

Important Details for Final Dividend

Dividend Per Share

HK 6.5 cents, with scrip option

Closing Period of the Register of Members

From 3 September 2014 to 5 September 2014, both days inclusive

Scrip Price Fixing Period

1 September 2014 to 5 September 2014, both days inclusive

Record Date

5 September 2014

Dividend Payment Date

Around 23 October 2014

COMPANY WEBSITE

http://www.skyworth.com

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