Skyworth

創維數碼控股有限公司

SKYWORTH DIGITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

Annual Report 2014/15

CONTENTS

Financial Highlights

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

	2015	2014	Change
OPERATING RESULTS			
Turnover	**40,135**	39,480	+1.7%
Operating Profit (EBIT)	**4,324**	1,837	+135.4%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**4,784**	2,243	+113.3%
Profit for the year	**3,350**	1,433	+133.8%
Profit attributable to owners of the Company	**3,128**	1,254	+149.4%
FINANCIAL POSITION			
Net cash from operating activities	**3,799**	4,470	–15.0%
Cash position*	**3,740**	4,595	–18.6%
Bank borrowings	**2,586**	5,703	–54.7%
Equity attributable to owners of the Company	**13,739**	10,822	+27.0%
Working capital	**8,992**	6,679	+34.6%
Bills receivable	**7,297**	10,061	–27.5%
Trade receivables	**5,258**	4,347	+21.0%
Inventories	**4,342**	4,188	+3.7%
KEY RATIOS			
Gross profit margin (%)	**20.0%**	19.3%	+0.7pp
Operating Profit (EBIT) margin (%)	**10.8%**	4.7%	+6.1pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**11.9%**	5.7%	+6.2pp
Profit margin (%)	**8.3%**	3.6%	+4.7pp
Return on equity (ROE) (%)	**22.8%**	11.6%	+11.2pp
Debt to equity (%)**	**17.0%**	50.3%	–33.3pp
Net debt to equity***	**Net Cash**	Net Cash	n/a
Current ratio (times)	**1.6**	1.3	+23.1%
Trade receivable turnover period (days)****	**123**	130	–5.4%
Inventories turnover period (days) ****	**49**	54	–9.3%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	**110.71**	44.64	+148.0%
Earnings per share – Diluted	**110.43**	44.58	+147.7%
Dividend per share (including special dividend)	**24.50**	15.00	+63.3%
Book value per share	**533.81**	400.85	+33.2%
SHARE INFORMATION AT FINANCIAL YEAR END			
Skyworth Digital Holdings Limited (Shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	**2,848**	2,831	+0.6%
Market capitalisation	**17,373**	12,058	+44.1%
Skyworth Digital Co., Ltd. (Shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**499**	N/A	N/A
Market capitalisation	**20,830**	N/A	N/A

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

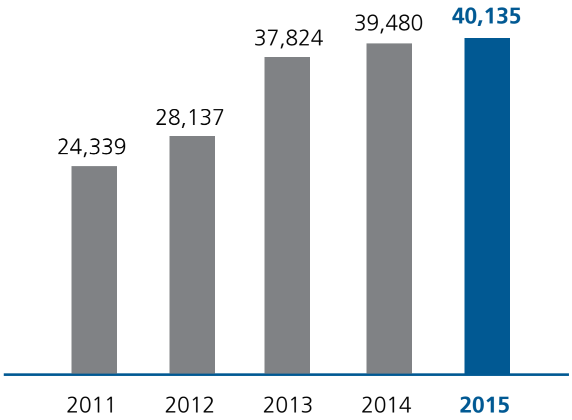
** *Bank borrowings/equity at year end*

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

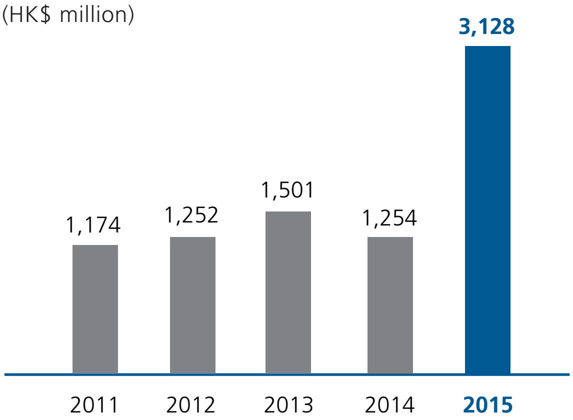
**** *Calculation based on average inventory; average sum of bills receivable and trade receivables*

Financial Highlights

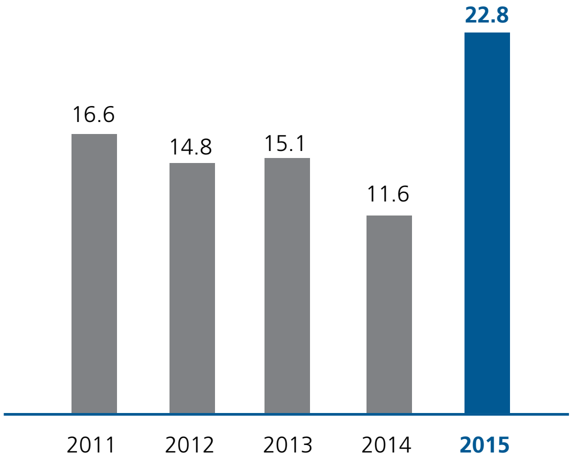
Turnover
(HK$ million)



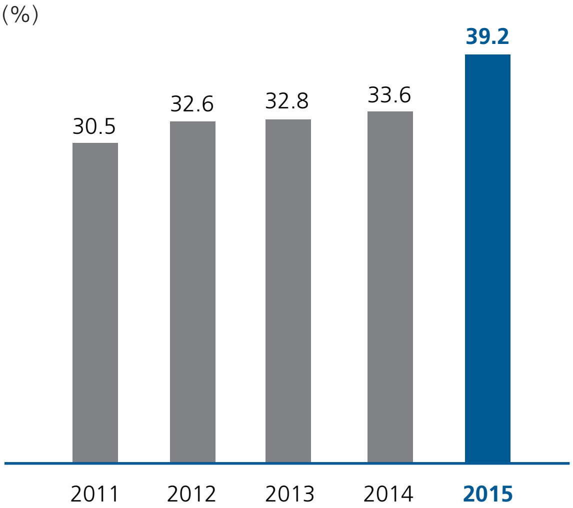
Profits Attributable to Owners of the Company
(HK$ million)



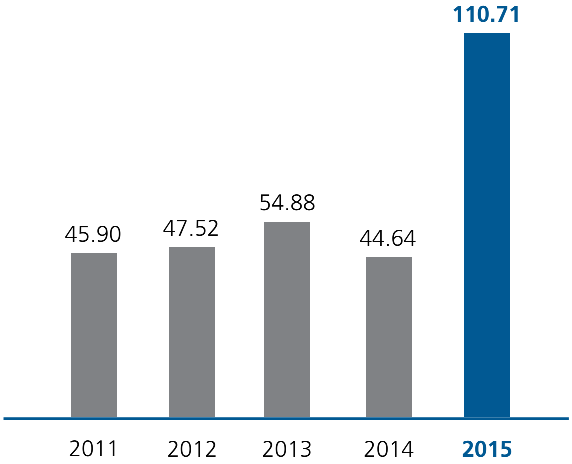
Return on Equity (ROE)
(%)



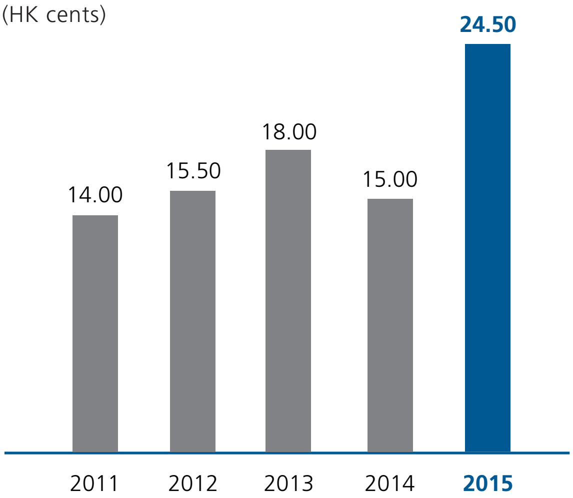
Dividend Payout Ratio
(%)



Earnings Per Share – Basic
(HK cents)



Dividend Per Share
(HK cents)



Letter from EXECUTIVE CHAIRPERSON

Letter from Executive Chairperson

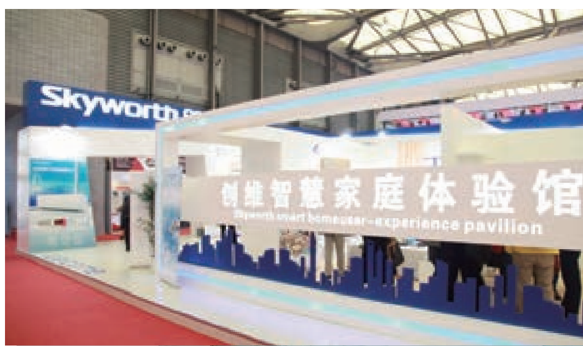
IN THE UPCOMING YEAR, WE WILL CONTINUE TO WORK CLOSELY TO CREATE GREATER SUCCESS FOR THE GROUP AND DRIVE HIGHER RETURNS TO THE SHAREHOLDERS.

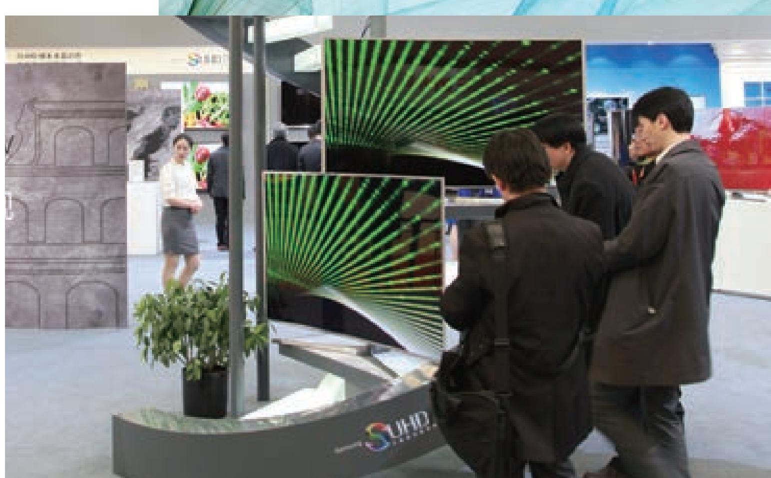
LIN WEI PING
Executive Chairperson

HIGHLIGHTS OF RESULTS

The Group recorded the following results during the financial year ended 31 March 2015 (the "Reporting Year"):

- Turnover reached HK$40,135 million, an increase of 1.7% from that of the financial year ended 31 March 2014 (the "Previous Year").
- Sales of TV products and digital set-top boxes accounted for 75.1% and 10.9% of the Group's total turnover respectively.
- Gross profit achieved HK$8,023 million, increased by 5.2%; and gross profit margin was 20.0%,increased by 0.7 percentage points compared with that of the Previous Year.
- Profit for the year was HK$3,350 million, increased by 133.8% from that of the Previous Year. Profit for the year attributable to the owners of the Company increased by 149.4%, from HK$1,254 million of the Previous Year to HK$3,128 million.
- Profit for the year (excluding one-off gain) was HK$1,988 million and profit attributable to the owners of the Company (excluding one-off gain) was HK$1,766 million, increased by 38.7% and 40.8% respectively.
- Basic earnings per share, including and excluding one-off gain were HK110.71 cents and HK62.51 cents for the year respectively, increased by 148.0% and 40.0% compared to that of the Previous Year.
- The Board has proposed a final dividend of HK11.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio (excluding one-off gain and including special dividend of HK4.0 cents) of 39.2% for the whole year.





Letter from Executive Chairperson

Dear shareholders, partners and other stakeholders,

Over the past financial year 2014/15 (the "Reporting Year"), it remains a challenging year for the consumer electronics industry. Despite the slowdown of demand for television ("TV") products in mainland China market, the expiration of various subsidy programs and weak properties markets, the Group has managed to exceed its sales volume target and sales volume of TV increased by 16.1% year-on-year to 13.17 million units and net profit for the Group has significantly increased. This is mainly attributable to the remarkable effort of our TV business unit in improving the average gross profit margin by optimising its product mix, lowering production cost as well as tightening expenses. The profit margin of the Group increased by 0.7 percentage points to 20.0% and the net profit excluding one-off gain has significantly increased by 38.7%.

During the Reporting Year, the turnover of the Group recorded HK$40,135 million, representing a slight increase of 1.7%, net profit recorded HK$3,350 million, representing a significant increase of 133.8%. The annual TV sales volume reached 13.17 million units, representing an increase of 16.1%, of which the mainland China market accounted for 9.46 million units, representing an increase of 10.0%, and achieved a total turnover of HK$24,379 million. The TV sales in overseas markets was 3.71 million units, representing an increase of 35.2%, and total turnover reached HK$5,762 million, representing an increase of 77.8%, and achieved segment result of HK$120 million profit, as compared to loss of HK$14 million in the same period of the last financial year. The sales volume of the Group's digital set-top boxes in the mainland China market reached 9.26 million units, representing an increase of 8.4%; and the sales volume in the overseas market reached 10.55 million units, dropped by 1.2%. The Group's digital set-top box business continued to rank as number one in the domestic as well as in the export market among China set-top box enterprises and ranked at top five in the global market. White home appliances division further expands production capacity to reach 6 million units last year, adding more resources into research and development and improving brand awareness. However, due to the overall slowdown of demand for home appliances, the sales volume of white appliances has only achieved slight growth. The turnover of the digital set-top boxes and white appliances business units recorded HK$4,376 million and HK$2,358 million respectively. Whilst the profit for the Group has grown substantially in the Reporting Year, it remains a healthy financial position. The net assets of the Group reached HK$15,203 million, representing an increase of 34.0% and the bank and cash balances of the Group was HK$3,317 million as at 31 March 2015.

During the Reporting Year, the Group completed three milestones: (1) Skyworth Group Finance Company Limited (the "Finance Company") formally started its operation, and has made remarkable achievements. Having composited its financing functions to our business units, it provides strong support in business development, improves our capital effectiveness and widens the financing channels and platforms; (2) the listing of Skyworth Digital Co., Ltd. on the Shenzhen Stock Exchange (Shenzhen stock code: 000810), with remarkable performance in its share price, this will in turn strengthen its own financing capabilities, industry competitiveness and brand awareness; (3) the establishment of Shenzhen Skyworth Air Conditioning Technology Co., Ltd. launched into the market with our own brand.

Meanwhile, the quality of company products has improved significantly and core business competitiveness has been enhanced which form a black and white home appliance synergy by leveraging on our strong brand name and well established distribution channels.

Letter from Executive Chairperson

Looking ahead to the financial year 2015/2016, the Group advocated a management approach "To achieve market growth. To attain management effectiveness", which has established three strategic business objectives: intelligence, diversification and globalisation. The Group also developed eight management strategies: strengthen core business, optimise emerging industries, strengthen 6M management control system, strengthen win-win incentives and manager evaluation, enhance personnel and cadres team building, promote smart home strategy and platform building, combine industry and finance, and increase capital operation. The Group also implemented effective measures to further enhance the profitability of the business.

Shenzhen Coocaa Network Technology Co., Ltd. ("Coocaa Company") and coocaa brand officially started its operation, fully adapted to the internet operation mode, and strengthened the background content and services in order to enhance the operational capacity of users. The "one TV for three groups" and "multi-screen interactive features" launched by Coocaa Company are extremely successful and well received by consumers, it has now become one of the brand leaders for online sales of smart TV. The accumulated activated users and daily active users for the smart TV as at 31 May 2015 have reached 7.6 million and 3.0 million respectively. Coocaa Company will continue to explore and implement revenue models in its effort to aim at monetisation of its big data. The smart home strategy of Skyworth Group has officially launched and put into implementation. The investments in research and development and personnel involvement have been increased after the establishment of smart home development unit from the Group level, which form an internal platform by integrating the business resources to develop smart home and build a common smart home platform for the home appliance industry, and promote the business intelligence transformation. The Group is actively expanding its exports, setting up overseas branches and looking for suitable acquisition opportunities to promote international brand-building. The Finance Company also promotes innovative financial services and products in order to strengthen the combination of industry and finance as well as the capital operation, and as a result, to enhance the capital operation efficiency of the Group.

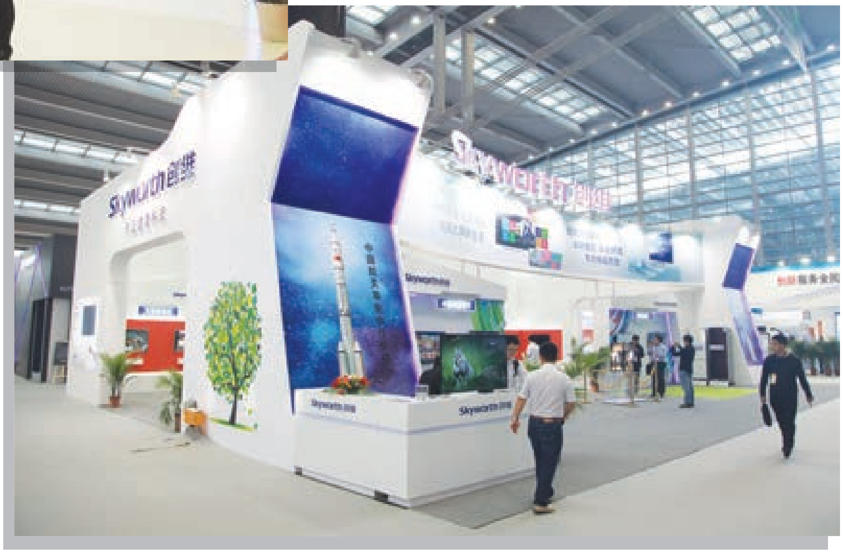
The Board regrets that Mr. So Hon Cheung, Stephen ("Mr. So") resigned as independent non-executive director with effect from 1 January 2015 for the reason that he has other work commitments. On behalf of the Board, I would like to take this opportunity to express its gratitude to Mr. So for his valuable contribution and dedication to the Group. The Board is pleased to announce that Mr. Cheong Ying Chew, Henry ("Mr. Cheong") was appointed as an independent non-executive director with effect from 1 January 2015 and the Board would like to take this opportunity to welcome Mr. Cheong to join the Board.

Letter from Executive Chairperson

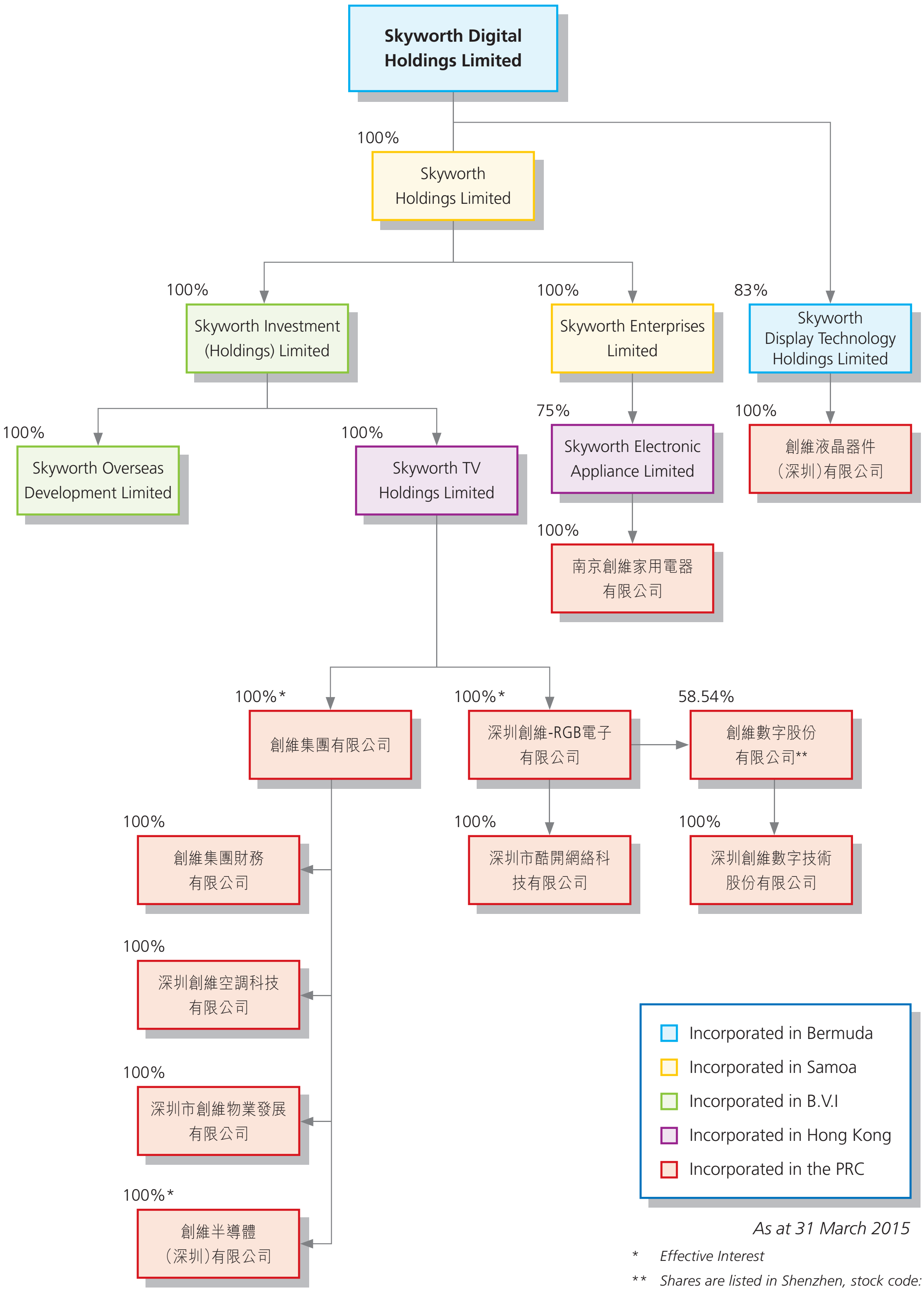
Finally, on behalf of the Board, I would like to express my appreciation and gratitude to our shareholders, business associates, customers and suppliers for their ongoing support and trust, especially to our colleagues and management team, who are the cornerstone of the success of the Group. With their commitments and contributions, another fruitful year has concluded. The Company will follow the mission and vision of the management team and rely on approximately 34,000 dedicated and loyal staff's efforts, I am confident that we have the ability to meet the challenges ahead and seize available opportunities. The Group is optimistic about the future and we are ready to move towards another milestone. In the upcoming year, we will continue to work closely to create greater success for the Group and drive higher returns for our shareholders.

Yours sincerely,

Lin Wei Ping
Executive Chairperson
19 June 2015



Simplified Corporate Structure



As at 31 March 2015

* *Effective Interest*

** *Shares are listed in Shenzhen, stock code: 000810*

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall Business Review

The consolidated turnover of the Group for the financial year ended 31 March 2015 (the "Reporting Year") reached HK$40,135 million (2014: HK$39,480 million), representing a slight increase of 1.7% compared with that of the financial year ended 31 March 2014 (the "Previous Year"). The profit for the year reached HK$3,350 million (2014: HK$1,433 million), representing a brilliant increase of 133.8%, on a yearly basis. Gross profit margin was 20.0% (2014: 19.3%), increased by 0.7 percentage points compared with that of the Previous Year.

During the year, the TV sales team made a great effort to optimise the product mix, the total TV sales volume reached 13.17 million units, 1.17 million units more than the target sales volume for the Reporting Year. The mainland China market recorded a total TV sales volume of 9.46 million units, exceeding target by 0.46 million units; whilst the overseas markets recorded a total TV sales volume of 3.71 million units, exceeding target by 0.71 million units.

Year 2014 is a challenging year for TV market in mainland China, the influx of internet enterprises has not only impacted traditional TV manufacturers on pricing and earnings, their business model also challenged the ability of the traditional manufacturer, which inspired our management to respond with a change in sales strategy, by improving our system efficiency and switching from functional products to smart products swiftly. During the Reporting Year, the increasing popularity of 4K ultra high definition TVs ("4K UHD TV") has raised its sales volume by 113.8% when compared with the Previous Year. In addition, the contributions from several key models have compensated the declining average selling price.

Moreover, the Group has promulgated its internationalisation target and strengthened its effort in developing overseas markets, increasing the brand sales proportion of TV. Hence, the turnover in overseas markets increased by 27.5% compared with the Previous Year. The sales of TV products showed a significant growth by 77.8% when compared with the Previous Year.

Additionally, the brand awareness of our digital set-top boxes has been growing after Skyworth Digital Co., Ltd. was listed at the main board on the Stock Exchange of Shenzhen. Also, it helped the turnover of the Group to achieve 1.7% growth when compared with the Previous Year.

Business Review by Geographical and Product Segments

Mainland China Market

For the Reporting Year, sales in mainland China market accounted for 78.6% of the Group's total turnover, a 3.7% decline from HK$32,739 million in the Previous Year to HK$31,541 million. The corresponding gross profit margin was 22.0% (2014: 20.8%), representing an increase of 1.2 percentage points year-on-year.

TV sales in mainland China market accounted for 77.3% of the Group's total turnover in mainland China market. Sales of digital set-top boxes, white appliances and LCD modules accounted for 7.3%, 6.0% and 1.8%, respectively. Other business units included those engaging in property leasing, lighting products, property development, security system, air conditioning and other electronic products etc., attributed to the remaining 7.6%.

TV products

During the Reporting Year, the Group's main sales strategy focuses on unifying both the user experience and system efficiency. With our competitive edge in technology, leading market share and extensive after-sales service network, the Group's sales volume has significantly outstripped our competitors in mainland China. Sales volume of TV grew by 10.0% to 9.46 million units in mainland China market, while turnover decreased by 7.1% to HK$24,379 million (2014: HK$26,244 million) when compared with the Previous Year.

Management Discussion and Analysis

The internet enterprises have accelerated the market penetration of smart TV products. The Group has initiated a campaign of multi-platform strategy and thoroughly embraced internet by using "Skyworth" and "coocaa" brand in O2O distribution. The product positioning of "coocaa" brand is home internet, with its promotion and sales channel are done via internet. With its internet mind-set, the Group has endeavored to develop its best fit internet sales model that demonstrated as a benchmark of innovative marketing to traditional TV manufacturers.

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 2015 are as follows:

	Ranking	Market share
All TV		
– Volume	1	16.9%
– Revenue	1	16.4%
LCD TV (included CCFL and LED LCD TV)		
– Volume	1	17.1%
– Revenue	1	16.5%
4K UHD TV		
– Volume	1	17.8%
– Revenue	3	16.6%

During the Reporting Year, about 9.46 million units LCD TV under "Skyworth" and "coocaa" brands were sold in mainland China, representing an increase of 10.0% when compared with the Previous Year. The sales volume of Cloud TV reached 3.44 million units, increased by 41.8%; whilst the sales volume of 4K Cloud TV reached 1.39 million units, rose by 113.8%, overall representing 51.0% of the Group's total TV sales in mainland China market.

The Group has maintained a leading technological advancement among the manufacturers in China and has demonstrated a strong presence of developing high-end products. In August 2014, the Group released its GLED G8200 TV series, the first time China high-end chip was used commercially in a TV product, this pioneer product once again proved our leading position in the industry. In December 2014, the Group unveiled its GLED Geeks Smart TV Air-G9200 series, which was the world's first TV series carrying a 64-digit chip. This series is carrying a unique 64-digit operation system, with only 7.5mm screen body thickness, which was entitled as the world's thinnest LED TV when debut. The Group has exhibited a highly sophisticated collaboration of supply chain management in creating high-end products which seized an advantage position for its future success in smart TV ecosphere.

Management Discussion and Analysis

During the Reporting year, the Group's award winning products has strengthened our brand image and enhanced our financial performance. During the Reporting Year, key awards achieved by the Group include:

- In the "2014 (10th) China Digital TV Industry Development Conference", Skyworth 4 Color 4K 55E710U series won both the "2014 Top Ten Flat-panel TVs" and "2014 Product Outlook Design" award.
- In the selection of "2011-2013 China Product Quality Control Advanced Unit and Member", Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB", a wholly owned subsidiary of the Company), was awarded "China Product Quality Control Advanced Enterprise".
- In the 2014 (9th) China Digital Annual Festival, RGB won 3 significant awards "Annual technology renovation award", "Annual innovative product award" and "Annual excellent contribution award" which further enhanced the market position of "Leading Technology Enterprise".
- In the selection of "2014 China Top Ten Industrial Design Award", RGB was awarded as "China's Top Ten Innovative Producers (manufacturing section) in 2014".
- In the "9th Chinese Electronics Enterprises Brand Value Top 300 Conference", RGB once again was awarded as the "2014 The Most Valuable LCD TV Brand" and "2014 The Most Valuable China Home Internet Product". This year, RGB also won "Chinese Smart Electronic Appliances Innovation Leading Brand" and becomes the top valuable LCD TV brand with estimated brand value amounted to RMB55,695 million.
- In the ceremony of "2014-2015 Global Top Brands" sponsored by International Data Corporation ("IDG") at the CES 2015, Skyworth won the "CE Top 10 Brands from China Award" and ranked top seven in the "2014-2015 Global TV Brands Top 20". This marks the Skyworth and its TV products are globally recognised.
- In the "16th Award for Chinese Outstanding Patented Invention and Industrial Design", Skyworth TV E900 won "16th Chinese Outlook Design Golden Award".

Management Discussion and Analysis

Digital set-top boxes

For the Reporting Year, the turnover of digital set-top boxes in mainland China market recorded HK$2,306 million (2014: HK$2,297 million), representing an increase of 0.4% or HK$9 million when compared with the Previous Year.

Year 2014 was a new era for the development of smart networks digital set-top boxes in mainland China market. DVB and OTT set-top boxes have dominated the mainstream development. During the Reporting Year, the Group formed strategic partnership with a number of well-known telecom giants in China. The Group has become the partner of several enterprises in internet smart OTT set-top box which improved its B2B operational model. At the same time, through cooperation with other enterprises, sales channel such as O2O and chain stores, the Group actively explored sales opportunity for its own branded internet OTT set-top boxes. This led to an observable growth in sales volume and turnover of our own branded internet OTT set-top boxes.

On the other hand, the Group has 14 years partnership with Chinese radio and television network operators. Using their market coverage in radio and television networks, the Group is able to enjoy an excellent market base and customer resources. The Group has also maintained a tight relationship with several local and provincial radio operators and several TV operators. In addition, Skyworth Digital Co., Ltd. successfully listed on the Stock Exchange of Shenzhen has strongly enhanced the competitive advantage of our digital set-top boxes, which will help to promote the brand value.

White Appliances

For the Reporting Year, the turnover of white appliances in mainland China market recorded HK$1,895 million (2014: HK$1,778 million), representing an increase of 6.6% or HK$117 million.

The Group aimed to accelerate its development in white appliances products, strengthened its research and development on smart interconnectable products and successfully introduced "i-health" system that interconnecting smart internet refrigerator and washing machine. The Group has focused on building a full range of mid to high end products that not only include refrigerators and washing machines, but also new products like air purifiers, freezers and medical refrigerators, so as to diversify its products structure for white appliances business unit.

The Group has imposed a marketing strategy to encircle the city markets by its conquered village markets, and utilised the unique marketing synergy of combining black and white appliances. Having made use of TV's existing sales terminal and marketing resources to develop the white appliances market in China, the Group has proactively expanded itself into city markets, specialty stores, and first to second tier markets. Meanwhile, the Group has successfully achieved a full coverage in e-commerce channels. On the other hand, the Group established 41 logistic warehouses which provided extensive network coverage in China. This sophisticated logistic and service system can drive up the turnover of white appliances.

LCD Modules

For the Reporting Year, the turnover of LCD modules in mainland China recorded HK$570 million (2014: HK$511 million), representing an increase of 11.5% or HK$59 million.

In order to cope with the rising demand from the customers, LCD modules has continued to expand its production scale and capacity. The proportion of high-end and diversified products has shown an increasing trend. Benefited by its excellent customer base and quality control, sales orders marked a satisfactory growth. In addition, the Group has years of experiences in developing LED backlight products and possessed of mature technique, with customers' trust and support, especially in self-designed small to medium size modules. For the Reporting Year, a fruitful result in self-designed small to medium size modules has compensated a down-turning result in TV modules, resulted in a net growth in turnover when compared with the Previous Year.

Management Discussion and Analysis

Overseas Market

For the Reporting Year, turnover in overseas markets accounted for HK$8,594 million (2014: HK$6,741 million), equivalent to 21.4% of overall turnover (2014: 17.1%), soared by HK$1,853 million or 27.5%. The gross profit margin was 13.5% (2014: 12.1%), representing an increase of 1.4 percentage points compared with that of the Previous Year.

TV products

For the Reporting Year, the turnover of overseas TV products was HK$5,762 million (2014: HK$3,240 million), equivalent to 67.0% (2014: 48.1%) of the total overseas turnover and grew by 77.8%. The sales volume of LED LCD TV in overseas market reached 3.71 million units, grew by 61.6%.

Japanese home appliance brands have been losing their competitive edge in the international markets, which would leave a tremendous opportunity for Chinese home electronic appliance enterprises. During the Reporting Year, the Group upheld a strategy of "Anchoring on OEM business, fast growing in self-owned brand" which emphasised in expanding market shares in mid to high end TV products. Sales of LED LCD TV represented 99.9% of the total sales. The Group will adjust the product structure according to different markets' situation and promote a wide range of diversified products which perfectly match the customers' needs. The Group will continue to explore different types of distribution channels in order to lift up the turnover in overseas market.

On the other hand, via the Group's subsidiaries in Thailand, the Philippines, India, Indonesia and Australia etc., it has further strengthened the promotion works on self-owned brand, which resulted in a better brand influence and a wider acceptance of our "Skyworth" brand in overseas market. The sales of self-owned brand in Asia market represented 13.1% to the total overseas sales. Our brand received much attention especially in Asia market which has greatly enhanced turnover in overseas market.

Digital set-top boxes

The turnover of overseas digital set-top boxes for the Reporting Year has increased by 11.0% to HK$2,070 million (2014: HK$1,865 million).

The Group seized the opportunity of a large-scale digitalised process in certain Africa nations and became one of the major suppliers in South Africa, which brought in a substantial contribution to the sales volume. Additionally, the Group has successfully maintained its leading position in South East Asia countries. In European and American markets, sales figures were accumulative and both of the average selling price and gross profit margin have showed a growing trend. Meanwhile, the Group has further reinforced promotion in mid-high level markets, which enhanced its brand image and awareness of digital set-top boxes in the B2B market, so as to give impetus to the turnover in overseas market.

Management Discussion and Analysis

White Appliances

The turnover of white appliances (mainly tablet computers) in overseas market recorded HK$463 million (2014: HK$754 million), representing a decrease of 38.6% or HK$291 million compared to the Previous Year.

During the Reporting Year, the soften demands in overall global tablet computers shipments has reduced customer orders and resulted in a drop in turnover in overseas markets for tablet computers. At present, the majority of overseas sales are still tablet computers, however the Group has put great effort to expand the weighting of refrigerators and washing machines into overseas markets, launching a new round of product structure strategy in overseas market.

Geographical distribution in overseas markets

During the Reporting Year, the Group's major overseas markets are in America, Asia, Africa and Europe, which contributed 95.0% (2014: 95.0%) of the total overseas turnover. In which the geographical proportion of turnover from Africa market rose 16.0 percentage points. Middle East, Australia and New Zealand markets accounted for 5.0% 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	
	2015	2014
	(%)	(%)
America	**35**	32
Asia	**25**	42
Africa	**24**	8
Europe	**11**	13
Middle East	**5**	4
Australia and New Zealand	**0**	1
	100	100

Gross Profit Margin

For the Reporting Year, the overall gross profit margin of the Group increased by 0.7 percentage points from 19.3% to 20.0% year-on-year.

Owing to the keen competition in mainland China, the average selling price of TV products showed a declining trend. Therefore the Group has implemented a series of policies to reduce production costs. By decreasing the proportion in outsourcing TV modules instead of self-produced and by partnering Huawei strategically in parts and components were some of the key elements in cost reduction. Sales rebate costs have also been controlled strictly. All of such factors helped to improve the gross profit margin when compared to the Previous Year. On the other hand, the Group has accelerated the upgrading in product technology and quality, strengthened new products promotion, speeded up the switching cycle of mid to high end products and focused in products with higher profit margin. The sales volume of 4K UHD TV, with a higher profit margin, recorded a stunning increment when compared with the Previous Year. As the Number 1 player in terms of market share in mainland China, our reputed brand name has also created a positive effect to improve our profit margin.

Management Discussion and Analysis

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 dropped by 1.8% or HK$90 million from last year HK$4,925 million to HK$4,835 million. The ratio of S&D expense to turnover decreased 0.5 percentage points from 12.5% to 12.0%.

During the Reporting Year, the Group has applied strict control on a variety of S&D expenses which kept them in a reasonable level. In addition, the Group has changed its marketing methods, by expanding internet promotion, reducing frequent promotion events, interacting with consumers on products through various channels, including e-commerce, department stores etc., and via direct user experience, to let the customers fully understand the characteristics of our products. Therefore, promotional expenses reduced by HK$299 million or 21.1% when compared with the Previous Year. The Group has endeavored to improve product reliability and reduce repair rates, which resulted in a decrease in average warranty and maintenance costs.

General and Administrative Expenses

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$91 million or 5.5% from last year HK$1,645 million to HK$1,736 million. The G&A expenses to turnover ratio for the year increased by 0.1 percentage points from 4.2% to 4.3%.

In order to emphasise the uniqueness of our black and white appliances products, to ensure the competitiveness and market share of high-end products, to cope with the development of "Skyworth Smart Home", the Group devoted a significant amount investment in R&D for developing smart, energy saving, healthy and quality products with multiple functions during the Reporting Year and achieved an increase of HK$33 million or 5.7% in R&D expenses. In addition, as global headcounts were increasing, salaries increment and performance-related bonus have triggered an increase in salaries and wages by HK$60 million, or 14.7%. Other expenses did not fluctuated significantly when compared with the Previous Year.

Management believes that maintaining a higher standard of control to G&A expenses is beneficial to the Group. Management will regularly review and update controls and procedures to ensure cost objectives are achieved.

Inventory Control

The net carrying value of the Group's inventory reached HK$4,342 million (2014: HK$4,188 million) as at the Reporting Year ended, representing an increase of HK$154 million or 3.7% compared with that at 31 March 2014.

The production scale of TVs, refrigerators and washing machines were continuously expanding. Mass production of air-conditioners in January has enriched the Group's products structure. Meanwhile, under the "Skyworth Smart Home" strategy, components of black and white appliances tended to be more complicated and advanced. In order to avoid the risk of production inefficiency caused by material shortage that eventually increased production costs, the Group has strategically retained a reserve of raw material. At the same time, the Group made appropriate adjustment to the finished goods level, so as to ensure the smooth progress in internet sales.

At the end of the Reporting Year, the inventory turnover days were 49 days (2014: 54 days), decreased by 5 days when compared to the Previous Year. This revealed an improvement in switching speed due to increment in sales volume.

Management Discussion and Analysis

Trade receivables and bills receivable

At the end of the Reporting Year, the Group had a total of HK$12,555 million (2014: HK$14,408 million) trade receivables and bills receivable, decrease by HK$1,853 million or 12.9% compared to that as at 31 March 2014. Trade receivables increased by HK$911 million or 21.0% to HK$5,258 million, whilst bills receivable dropped by HK$2,764 million or 27.5% to HK$7,297 million.

During the Reporting Year, the turnover of digital set-top boxes in mainland China market and the turnover of TV products recorded a favourable growth when compared to the Previous Year. Such increment raised the 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 administrated radio and television. As these customers' sales are expanding and they enjoy a longer payment terms, the trade receivables increased 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 shorten the duration of cash collection. On the other hand, the Group has promoted the cooperation between Skyworth Group Finance Company Limited (the "Finance Company") and other business units. The Group used bills financing to reduce the balance of bills receivable.

Trade payables and bills payable

At the end of the Reporting Year, the Group's trade payables and bills payable amounted to HK$4,096 million (2014: HK$4,805 million) and HK$4,835 million (2014: HK$4,094 million) respectively. As compared with that as at 31 March 2014, the trade payables decreased by HK$709 million or 14.8%; while the bills payable increased by HK$741 million or 18.1%.

For the Reporting Year, the Group adopted a prudent procurement plan. In addition, by considering the cost-effectiveness and taking advantage of our previously established the Finance Company, the Group used bills to settle suppliers' accounts, so as to replace the usage of endorsed bills. This resulted in a tremendous decrease in trade payables in contrast to a large increase in bills payable at the end of the Reporting Year. Meanwhile, in order to maintain the Group's creditability, it further improved 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$8,992 million (2014: HK$6,679 million), grew by HK$2,313 million or 34.6% from 31 March 2014. Bank balances and cash amounted to HK$3,317 million (2014: HK$3,023 million), representing an increase of HK$294 million, compared with that as at 31 March 2014. Pledged bank deposits amounted to HK$423 million (2014: HK$1,572 million) dropped by HK$1,149 million. A decrease in pledged bank deposits when compared to the Previous Year, was due to termination of foreign currency forward contracts signed between the Group and a financial institution and repayment part of bank loan, therefore released the corresponding collateral. For detailed 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$423 million pledged bank deposits (2014: HK$1,572 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 (2014: HK$92 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$2,586 million (2014: HK$5,703 million). The debt to equity ratio revealed as 17.0% (2014: 50.3%). Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY

Most of the Group's major investments and revenue streams are situated 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$8 million net foreign exchange gain (2014: HK$31 million net foreign exchange losses) 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 30 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, Nanjing, Yichun and Shenzhen in order to cope with the expanding production scale and improving production capacity. It also invested approximately HK$634 million in the renovation of a new headquarters in Shenzhen and improvement of the production plants' facilities. The Group spent approximately HK$618 million on ancillary machinery in production lines and other equipment; and plans to further invest HK$1,351 million on plants and machinery procurement, aiming to cater for its diversified development, productivity and logistic efficiency enhancements.

During the Reporting Year, the Group successfully acquired China Resources Jinhua Co., Ltd. (the "China Resources Jinhua"), a company listed on the Shenzhen Stock Exchange and acquired 遂寧錦華紡織有限公司 (the "Suining"). The fair value of property, plant and equipment at the date of acquisition was HK$171 million. On 7 November 2014, China Resources Jinhua was renamed as Skyworth Digital Co., Ltd..

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 2015, the Group had approximate 34,000 (2014: 35,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 41 branches and 211 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, for 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. Meanwhile, by strengthening the fundamental development of the Group's human resources as well as guiding the regulation of determinating the titles and remuneration in different business units, gradually established a centralised selection, cultivation, a long-term mechanism for training the leaders of business units and a professional department to enhance the professional standard of the staff and the leadership of the senior talents.

The Group's remuneration policy was established with reference to the individual competence and performance, as well as overall human resources market. 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.

OUTLOOK

Despite a slowdown in the economic growth of mainland China in Year 2015, it is expected that the for total TV sales volume in mainland China would remain a steady growth, amounting to around 45.0 million units. However, there will be a change in product structure, where the sales volume of Smart TV and larger-screen TV will be increased. The market will start to explore the business model for Smart TV and generate revenue. The Chinese TV manufacturers will enter international markets rapidly. The Group will focus on rolling out diversified, international and smart products. The Group believes that with our prospective and innovative products, upgrade in technologies and fast insight into the market's change, we are able to maintain our leading position. Meanwhile, the Group will increase brand promotion, in order to build a strong brand image on consumer electronic products that deliver content services, and transform our business model from "business drives brand" to "brand drives business". Hence, the Group projects an aggregated annual target of 15.0 million units TV sales volume for the Financial Year 2015/16, 10.0 million units (including 2.5 million 4K Cloud TVs and 4.0 million Cloud TVs) in mainland China market and 5.0 million units in the overseas market respectively.

In Year 2015/16, the Group's main strategy is to expand its overseas markets. The Group will start its strategy by ways of share investments and acquisitions in overseas market. Meanwhile, the Group will develop an overseas sales sharing platform that apart from consolidating growth in Asia and America markets, but also will seek opportunity to increase market shares in Europe, Middle East and Russia etc., aiming at establishing its overseas market position. Furthermore, the Group will enhance its product structure according to different market needs, so as to roll out more mid to high end products and accelerate the market penetration process. This will improve the sales proportion of those high-end, high-margin products in overseas markets and ensure a sustainable growth in sales volume and turnover in overseas markets.

The Group is turning its direction toward smart home appliances. Riding on the competitive advantages in TV industry, Smart TV will become an entrance to household, linking up other home electronic appliances to become a service interface as well as content engine for Smart Home. The user habits will be further developed and extended to convert the business model from "product-oriented operation" to "user-oriented operation". Therefore, the Group had set up a "Smart Home Strategy Department" on 1 March 2015 which will plug in the concept of intelligent products, technologies, software and systems into our products. On the other hand, the Group always open to any cooperation opportunity in smart screen and smart hardware platform. The Group will publish standard protocols to invite upstream and downstream developers to share smart screen technology and jointly develop Smart Home service contents, letting the world to share the wonderfulness, convenience and liberty brought by Smart Home technology.

Last but not least, the Group believes, through the vertical and horizontal synergies in operations and financing capabilities among our business units, by taking the streamlined advantages of consolidated resources, will drive the rapid development in key and emerging business units, to create flourishing and fruitful returns to all stakeholders.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors and Senior Management Profiles

EXECUTIVE DIRECTOR

Ms. Lin Wei Ping, aged 57, is an executive director, a member of remuneration committee of the Company and a director of certain subsidiaries of the Company. She was appointed as the executive chairperson of the Company since 1 April 2013.

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 2015, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of her interests set out on page 35 to 41 of this annual report.

Directors and Senior Management Profiles

Mr. Yang Dongwen, aged 50, is an executive director as well as a director of certain subsidiaries of the Company and the president of the Group. Mr. Yang was appointed as the chief executive officer of the Company on 15 February 2012. 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 Beijing 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 law and graduated from the Department of Sociology of 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 the chairman of the Hainan Zhongda Certified Public Accountants firm.

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

As at 31 March 2015, Mr. Yang has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of his interests set out on page 35 to 41 of this annual report.

Mr. Lu Rongchang, aged 69, is an executive director of the Company. He joined the Group in May 2006, and is currently the head of the R&D Institute of Skyworth Group, and the executive vice president and the general manager of the R&D Department of the 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 known as Southeast University) and majoring in automation control. Prior to joining the Group, he worked in various companies in the television and communications industry, including Panda Electronics Group. Mr. Lu has over 20 years work experience as general manager and chief engineer, and he was awarded many national and provincial honours.

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

As at 31 March 2015, Mr. Lu has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of his interests set out on page 35 to 41 of this annual report.

Directors and Senior Management Profiles

Mr. Shi Chi, aged 44, is an executive director of the Company. He joined the Group in 2000 and is a director and the President of Skyworth Digital Co. Ltd., a subsidiary of the Company in which Mr. Shi holds 4.18% of the shareholding and is listed on the Shenzhen Stock Exchange (Shenzhen stock code: 000810). 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 Group mentioned above, Mr. Shi does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2015, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of his interests set out on page 35 to 41 of this annual report.

Ms. Chan Wai Kay, Katherine, aged 56, is an executive director and a director of certain subsidiaries 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 (Hong Kong stock code: 08128) which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

As at 31 March 2015, Ms. Chan has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of her interests set out on page 35 to 41 of this annual report.

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Li Weibin, aged 54, 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 30 years.

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

As at 31 March 2015, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance. Please refer to the details of his interests set out on page 35 to 41 of this annual report.

Mr. Wei Wei, aged 50, is an independent non-executive director of the Company. Mr. Wei was appointed as an independent non-executive director of the Company on 18 March 2014. Mr. Wei is also a member of audit committee, remuneration committee and nomination 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 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 and in charge of in 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 ZTE Corporation (Shenzhen stock code: 000063 and Hong Kong stock code: 00763) and an independent non-executive director of AVIC IHL corporation (Hong Kong stock code: 00161) listed on the Main Board of the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited; he is also an independent director of Telling Telecommunication Holding Co., Ltd. (Shenzhen stock code: 000829) and Zhangzidao Group Co., Ltd. (Shenzhen stock code: 002069) both are listed on the Shenzhen Stock Exchange. Mr. Wei was an independent director of Changyuan Group Ltd. (Shanghai stock code: 600525) listed on the Shanghai 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 Group mentioned above, Mr. Wei does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2015, Mr. Wei does not have interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance.

Directors and Senior Management Profiles

Mr. Cheong Ying Chew, Henry, aged 67, is an independent non-executive director of the Company; the chairperson of the audit committee and a member of the remuneration committee and nomination committee of the Company.

Mr. Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London. Mr. Cheong has over 35 years of experience in the securities industry.

He is also an independent non-executive director of CK Hutchison Holdings Limited (replaced the listing status of Cheung Kong (Holdings) Limited on the Stock Exchange since 18 March 2015), Cheung Kong Infrastructure Holdings Limited, TOM Group Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and New World Department Store China Limited, all being listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, and an executive director and the deputy chairman of Worldsec Limited, a company listed in London. He was previously an independent non-executive director of Creative Energy Solutions Holdings Limited and Hong Kong Jewellery Holding Limited. He was also a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission.

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

As at 31 March 2015, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

Mr. Liu Tangzhi, aged 52, 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 51, joined the Group in September 2013. He is the vice president of the Group, head of human resource department and also a director of certain subsidiaries of the Company.

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 43, is the company secretary and the group 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 a fellow 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 59, joined the Group in 2007. He is the vice president of China TV business unit of the Group, and also 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 39, is the vice president of China 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 47, is the vice president of China TV business unit of the Group and the general manager of China sales, as well as a director of certain subsidiaries of the Company.

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 40, joined the Group in 2010, and is the general manager of Skyworth Electrical Appliance (Shenzhen) Co., Ltd, as well as a director of certain subsidiaries of the Company.

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 51, joined the Group in 2000, and is the general manager of Skyworth LCD Modules (Shenzhen) Co., Ltd, as well as a director of certain subsidiaries of the Company.

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 57, joined the Group in July 1999, and is the assistant to the chairperson, the head of the legal affairs department of the Company, the chairman of the supervisory committee of Skyworth Digital Co., Ltd. and also a director of certain subsidiaries of the Company. Prior to that, he was 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 59, 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.

DIRECTORS' REPORT

Directors' Report

The Directors are pleased to present the 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 2015 ("Reporting Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group 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 54, 23 and 24 of the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 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 HK9.5 cents (2014: HK8.5 cents) per share amounting to HK$269 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK11.0 cents (2014: HK6.5 cents) per share to the shareholders on the register of members of the Company on 2 September 2015, estimated to be HK$314 million, and the retention of the remaining profit for the year in reserves.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 160 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 18% of the Group's total turnover. The aggregate purchase attributable to the Group's five largest suppliers accounted for 34% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 14% 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$634 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately HK$618 million for the expansion of existing and setting up new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 43 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2015 amounted to approximately HK$1,769 million (2014: HK$1,844 million).

DONATIONS

During the Reporting Year, the Group made charitable donations approximately amounting to HK$4 million.

DIRECTORS

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

Executive directors:

Ms. Lin Wei Ping	*(Executive Chairperson)*
Mr. Yang Dongwen	*(Chief Executive Officer)*
Mr. Lu Rongchang	
Mr. Shi Chi	
Ms. Chan Wai Kay, Katherine	

Independent non-executive directors:

Mr. Li Weibin	
Mr. Wei Wei	
Mr. Cheong Ying Chew, Henry	*(Appointed with effect from 1 January 2015)*
Mr. So Hon Cheung, Stephen	*(Resigned with effect from 1 January 2015)*

In accordance with Clauses 86 and 87 of the Company's bye-laws, Mr. Yang Dongwen, Mr. Lu Rongchang and Mr. Cheong Ying Chew, Henry 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 23 to 31 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of not more than 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 44 to 55 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 52 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 31 March 2015, the interests of the Directors and of their associates in the shares, share options, awarded shares 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 2015, 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	*(Notes a and b)*	1,006,694,146	35.35%
		(Notes a and c)	1,014,941,149	35.64%
Yang Dongwen	Beneficial owner		15,850,062	0.56%
Lu Rongchang	Beneficial owner		2,391,410	0.08%
Shi Chi	Beneficial owner		1,328,316	0.05%
Li Weibin	Beneficial owner		1,000,000	0.04%
So Hon Cheung, Stephen (up to 31 December 2014)	Beneficial owner		111,273	0.004%

Directors' Report

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

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

Notes:

(a) 929,375,184 ordinary shares of the Company 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 45 to the consolidated financial statements.

(ii) As at 31 March 2015, 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, SHARE OPTIONS AND AWARDED SHARES (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:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2014	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2015
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' Report

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (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 2014	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2015
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, SHARE OPTIONS AND AWARDED SHARES (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 2014	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2015
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, SHARE OPTIONS AND AWARDED SHARES (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 2014	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31 March 2015
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
Total				41,000,000	–	–	–	41,000,000

(c) Share Award Scheme

The share award scheme (the "Share Award Scheme") was approved by the Board on 24 June 2014 (the "Adoption Date"). The maximum number of shares can be awarded or held under the Share Award Scheme is limited to 2% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme is limited to 1% of the issued share capital of the Company from time to time. During the Reporting Year, the Company has purchased 18,964,785 ordinary shares of the Company's existing shares in the market, including scrip shares on scrip dividend scheme for the purpose of the Share Award Scheme through an independent trustee.

Particulars of the Share Award Scheme of the Company are set out in note 46(ii) to the consolidated financial statements.

During the Reporting Year, a total of 27,836,000 ordinary shares in the Company have been granted under the Share Award Scheme, which will be vested in the coming three years on 31 August 2015, 2016 and 2017 respectively.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

(c) Share Award Scheme (Continued)

As at 31 March 2015, certain directors of the Company had interests in the awarded shares under the Company's Share Award Scheme as follows:

		Number of awarded shares			
Date of grant	**Vesting dates**	**Outstanding at 1 April 2014**	**Awarded during the year**	**Allotted during the year**	**Outstanding at 31 March 2015**
Directors:					
Yang Dongwen					
25 July 2014	31 August 2015	–	332,000	–	332,000
	31 August 2016	–	332,000	–	332,000
	31 August 2017	–	336,000	–	336,000
Lu Rongchang					
25 July 2014	31 August 2015	–	166,000	–	166,000
	31 August 2016	–	166,000	–	166,000
	31 August 2017	–	168,000	–	168,000
Total			1,500,000		1,500,000

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, awarded shares 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 2015.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBENTURES

Other than the interests in share options and awarded shares of the Company disclosed above, and in the share option scheme and the share award scheme disclosed in note 45 and note 46(ii) to the financial statements respectively, 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 2015.

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.

Directors' Report

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 2015, 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	32.64%
Wong Wang Sang, Stephen	Beneficial owner	77,318,962	2.72%
	Held by spouse *(Note b)*	8,247,003	0.29%
	Interest of corporation controlled *(Note a)*	929,375,184	32.64%
		1,014,941,149	35.64%
Lin Wei Ping	Beneficial owner	8,247,003	0.29%
	Held by spouse *(Note c)*	1,006,694,146	35.35%
		1,014,941,149	35.64%
AllianceBernstein L.P.	Investment manager	127,452,177	4.48%
	Interest of corporation controlled	15,810,000	0.56%
		143,262,177	5.03%

Note a: 929,375,184 ordinary shares of the Company 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, share options or awarded shares of the Company as at 31 March 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2015, as disclosed in paragraph (c) under the section of "Directors' Interests in Shares, Share Options and Awarded Shares" above, the Company has purchased 18,964,785 ordinary shares of the Company's existing shares in the market for the purpose of the Share Award Scheme through an independent trustee. Save as disclosed above, during the year ended 31 March 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2015.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2015 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
19 June 2015

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 2015 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 22 to 31 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 one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to, but not less than one-third) shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

Corporate Governance Report

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. The Company continues to provide the Directors with updates relating to the relevant Listing Rules and regulations, ensuring the Directors to comply and enhance the understanding of good corporate governance.

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 2015, other than annual general meeting, no special general meeting was held.

The attendance of individual members at general meetings held during the year ended 31 March 2015 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Ms. Lin Wei Ping	1/1	100%
Mr. Yang Dongwen	1/1	100%
Mr. Lu Rongchang	1/1	100%
Mr. Shi Chi	1/1	100%
Ms. Chan Wai Kay, Katherine	1/1	100%
Independent non-executive Directors:		
Mr. Li Weibin	0/1	0%
Mr. Wei Wei	0/1	0%
Mr. Cheong Ying Chew, Henry (Appointed with effect from 1 January 2015)	0/0	N/A
Mr. So Hon Cheung, Stephen (Resigned with effect from 1 January 2015)	1/1	100%

Board, executive meetings and corporate governance function

The Board held a total of nine meetings during the year ended 31 March 2015. Of these, two meetings were held mainly for approving the 2013/14 final results and the 2014/15 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 2015 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Ms. Lin Wei Ping	9/9	100%
Mr. Yang Dongwen	9/9	100%
Mr. Lu Rongchang	8/9	89%
Mr. Shi Chi	9/9	100%
Ms. Chan Wai Kay, Katherine	9/9	100%
Independent non-executive Directors:		
Mr. Li Weibin	9/9	100%
Mr. Wei Wei	6/9	67%
Mr. Cheong Ying Chew, Henry (Appointed with effect from 1 January 2015)	2/2	100%
Mr. So Hon Cheung, Stephen (Resigned with effect from 1 January 2015)	7/7	100%

Securities transactions of directors

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, the Company received confirmation from all of the Directors that they had complied with the Code of Conduct throughout the year ended 31 March 2015.

Corporate Governance Report

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 2015 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. Li Weibin, Ms. Chan Wai Kay, Katherine and Mr. Cheong Ying Chew, Henry, who was appointed as a member of Nomination Committee with effect from 1 January 2015. Mr. So Hon Cheung, Stephen was an INED who was resigned as a member of the Nomination Committee with effect from 1 January 2015. 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 summarised 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 two meetings during the year ended 31 March 2015. The meetings were held to review the composition (including diversity) of the Board, to nominate an INED for the Board, to review the change of INED and resignation of an INED.

The attendance of individual members at the meetings of the Nomination Committee held during the year ended 31 March 2015 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. Wei Wei (Chairperson)	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Cheong Ying Chew, Henry (appointed as a member with effect from 1 January 2015)	0/0	N/A
Mr. So Hon Cheung, Stephen (resigned as a member with effect from 1 January 2015)	2/2	100%
Executive Directors:		
Ms. Chan Wai Kay, Katherine	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. Wei Wei, Ms. Lin Wei Ping and Mr. Cheong Ying Chew, Henry, who was appointed as a member of Remuneration Committee with effect from 1 January 2015. Mr. So Hon Cheung, Stephen was an INED who was resigned as a member of the Remuneration Committee with effect from 1 January 2015. 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;

Corporate Governance Report

- 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 eight meetings during the year ended 31 March 2015. 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 2015, to review the proposals to grant share options and awarded shares 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 2015 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. Li Weibin (Chairperson)	8/8	100%
Mr. Wei Wei	6/8	75%
Mr. Cheong Ying Chew, Henry (appointed as a member with effect from 1 January 2015)	2/2	100%
Mr. So Hon Cheung, Stephen (resigned as a member with effect from 1 January 2015)	6/6	100%
Executive Directors:		
Ms. Lin Wei Ping	8/8	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, share options granted under the share option schemes of the Company and awarded shares granted under the share award scheme of the Company. Details of the share option schemes and share award scheme of the Company are set out in notes 45 and 46(ii) to the consolidated financial statements respectively.

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, share options granted under the share option schemes of the Company and awarded shares granted under the share award scheme 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 15 and 16 to the consolidated financial statements.

Audit Committee

The audit committee was established by the Board since the initial listing of the Company's shares on 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. Cheong Ying Chew, Henry, who was appointed as a member with effect from 1 January 2015 and the chairperson with effect from 17 June 2015, and the other members are Mr. Li Weibin and Mr. Wei Wei. Mr. So Hon Cheung, Stephen was an INED who was resigned as the chairperson of the Audit Committee with effect from 1 January 2015.

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 2015, 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;

Corporate Governance Report

- 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 2015.

The attendance of individual members at the meetings of the Audit Committee held during the year ended 31 March 2015 is set out as follows:

Name of director	Number of meetings attended/held	Attendance rate
Independent non-executive Directors:		
Mr. Cheong Ying Chew, Henry (appointed as a member with effect from 1 January 2015 and the chairperson with effect from 17 June 2015)	0/0	N/A
Mr. Li Weibin	1/2	50%
Mr. Wei Wei	2/2	100%
Mr. So Hon Cheung, Stephen (resigned as a member with effect from 1 January 2015)	2/2	100%

Accountability and Audit

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

Financial reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Group for the year. In preparing the consolidated financial statements for the year ended 31 March 2015, 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 prioritise business opportunities with reference to the resources allocation.

During the year ended 31 March 2015, 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.

Corporate Governance Report

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 2015, the Internal Audit Department issued over 180 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 2015 and the corresponding audit fee estimation.

Corporate Governance Report

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 2015 were as follows:

Nature of services	For the year ended 31 March 2015 Amounts HK$'000	2014 Amounts HK$'000
Audit service (including review of interim financial statements)	**8,801**	8,430
Non-audit and tax related service	**3,961**	710
Total	**12,762**	9,140

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 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.

CORPORATE SOCIAL
Responsibility Report

Corporate Social Responsibility Report

OVERVIEW

Scope of the Report

This is the first Corporate Social Responsibility ("CSR") Report ("Report") of Skyworth Digital Holdings Limited ("Skyworth" together with its subsidiaries, the "Group" or "We"), demonstrating our commitment to transparency and accountability to stakeholders. In order to provide more in-depth coverage of our sustainability initiatives and performance, we have decided to publish an annual CSR Report starting from the financial year 2014/15 (the "Reporting Year"). This Report presents our group-wide approach to sustainability and our performance in the economic, environmental and social aspects of our business. It covers the core activities of the Group (including Skyworth and its key subsidiaries) in Hong Kong and Mainland China, involving the main business sector: audio-visual and electronic appliances business.

This Report presents a brief overview of the Group's business and environmental protection performance, whilst full details of the other aspects including corporate governance, regulatory issues and directors' information are presented in our Annual Report 2014/15.

Our Business

Skyworth was established in 1988, headquartered in Shenzhen High-tech Industrial Park known as innovative "Silicon Valley", with approximately 34,000 employees. Being rooted in China and determined to go global, Skyworth is a large-scale high-tech group company mainly engaged in research, development and manufacturing of such products as consumer electronics, display devices, digital set-top-box, security monitor, semi-conductor, network communication, home appliances and LED illumination, and has been listed on the main board of The Hong Kong Stock Exchange Limited in 2000 (Hong Kong stock code: 00751).

By taking quality as the Group's cornerstone, it advocates the principle of "full dedication to finer products", and upholds the idea of development through technological innovation. It leads and promotes the industrial transformation and upgrading in the field of colour TV, and implements independent research and development in the field of OLED third-generation display technology, thus ensuring that Skyworth may continue to create history in colour TV industry, and further lay the foundation for its status as a leading brand in the industry. Skyworth expands its business with an international vision, the colour TVs, digital set-top-boxes and other products are sold far to European Union, Japan, Russia and other regions such as east and south Asia, America and Middle East.

Skyworth's Corporate Responsibility Model

The Group places a strong emphasis not just on our financial results, but also on our non-financial achievements. We are committed to maintaining high standards of corporate governance and minimising the impact of our business activities on the environment and stakeholders. The Group tries every effort to lower the environmental pollution level in daily business operations in order to achieve the vision of "Green Skyworth, Green AV, Green World".

The Group introduces the core values of "Integrity, win-win cooperation" and "Growth values" so as to absorb and train all kinds of excellent talents. We treat all the staff with fairness and respect, and maintain a working environment to realise their full potential. The Group aims to maintain the highest ethical standards in the conduct of our business and also encourages suppliers and contractors to embrace high corporate responsibility standards similar to our own.

Skyworth has the courage to shoulder social responsibility and dedicate love and caring to society, and has been awarded the title of one of the Top Ten "Enterprises with Most Compassion" in Shenzhen. During the Reporting Year, the Group was rewarded for its achievements with a number of awards and recognitions and make positive contributions to the communities in which we operate.

Corporate Social Responsibility Report

WORKPLACE QUALITY

Our Values

Skyworth introduces the core values of "integrity, win-win cooperation" and "growth values", so as to absorb and train all kinds of excellent talents. This core value applies to implement our mission which is creating value for customers, shareholders, employees and the society.

Our People

Employees are the company's important asset and the primary force in driving our business growth on a sustainable basis. We advocate cooperation and enable our employees to develop their full potential and contribute their diverse range of skills and experiences. Adequate training programs offered to assist their personal and professional growth. To promote a healthy, diverse and inclusive working environment, we are committed to provide equality of opportunity by eliminating discrimination, including gender, age, marital status, family status and race. Employment, promotion, salary review and redeployment are made strictly based on individual performance.

Since incorporation, the Group has placed emphasis on talent management and staff engagement. As at 31 March 2015, we had approximately 34,000 employees, including our head office management team, sales team, innovation development team and research and development team, back office support team and manufacturing staff. Our staff members are located in Mainland China, Hong Kong and overseas, and most of them are located in Mainland China.

Training and Development

Considerable efforts were dedicated to training and development during the Reporting Year across the Group, covering our directors, senior management as well as frontline operations and technical staff. Education allowance and tuition reimbursement are available to subsidize the employees who pursue continuous learning and education programs that are relevant to their job. We provide on-the-job training and various training courses and seminars, either conducted in-house or by external experts, to different grades of staff.

The College of Skyworth was established in 2004 and direct managed by the Group's head office. The college provides comprehensive training curriculum for Skyworth staff of various levels of seniority in order to enhance their professional in different areas, especially the technical skills, customer service standards and management skills.

All directors are encouraged to attend training courses to enrich their knowledge in discharging their duties as directors. Arrangements were made by the Group to have professional speakers delivering talks and presentations to directors on relevant topics with emphasis on the roles, functions and duties of directors as well as regulatory requirements and corporate governance issues.

Health and Safety

Skyworth is a large-scale high-tech corporation engaged in research, development and manufacturing of consumer electronics and the nature of our day-to-day operations means that we have a relatively low safety risk profile. We make every effort to maintain a safe and healthy workplace. Training on occupational safety is provided to employees of different business divisions. In addition, we also provided comprehensive operational manuals and guidelines in accordance with applicable laws and regulations.

Human Resources Policies and Activities

The Group has a set of comprehensive human resources policies and a well-structured human resources system in compliance with relevant rules and regulations. The Group issued a "Social Employment and Staffing Policy" covering the policies on recruitment, employee movement, salary adjustments and promotions, separation of employment, and equal employment opportunities for employees to refer and comply.

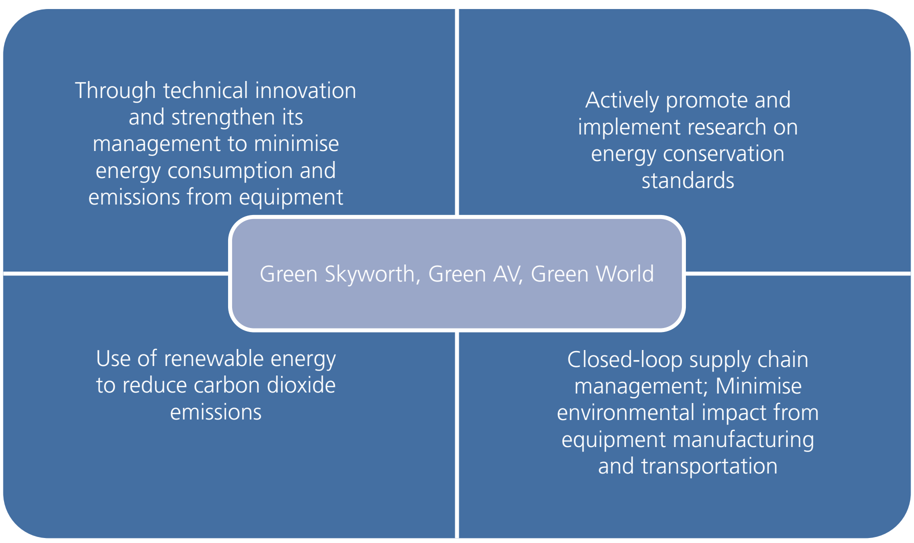
In addition to human resources policies, the Group believes open communication, within offices and across departments in different work stations, helps employees work well together and strive to foster a harmonious working environment in the Group. Collaboration is at the heart of the Group's corporate culture. The Group has created an open, clear and constructive dialogue between management team and staff for better communication on company's affairs. We also organised leisure activities for employees to encourage their participation in sport events such as football, basketball and badminton to maintain their physical wellness. During the Reporting Year, various events and competitions such as singing contests, talent shows and chess games were organised to encourage staff's interests and build team spirit.

Reward and Recognition

The Group has always rewarded its staff based on performance and contributions. We have in place a structured performance appraisal system, in which we link the corporate values and beliefs with our staff's daily operations and achievements. During the Reporting Year, we further aligned pay and performance to drive the sustainable development and long-term success of the Group.

ENVIRONMENT PROTECTION

As being the audio-visual and electronic appliances industry leader, the Group analyses the impact of its business activities to the environment, and actively integrates the energy conservation principle into planning, design, development, manufacturing and marketing in order to determine the key measures required towards environmental protection. Through persistent effort on technical innovation, guidelines on greenhouse gas emissions, land or water pollution caused by pollutants, generation of hazardous or non-hazardous waste, and waste management plan, the Group tries every effort to reduce waste generated in daily operations and lower the environmental pollution level in order to achieve the vision of a "Green Skyworth, Green AV, Green World".



Corporate Social Responsibility Report

Meanwhile, half of the conventional diesel forklift trucks have been replaced by electric forklift trucks in the Group factories to reduce carbon emissions and reduce the greenhouse effect. In the future, the Group plans to replace all conventional diesel forklift trucks by electric forklift trucks in order to achieve zero carbon dioxide emissions. In addition, the Group continues to modify production equipment and through the use of new EPS molding machine, less natural gas is used and thus reducing carbon dioxide emissions.

Furthermore, audio-visual products consume a large amount of timber for packaging during transport. In order to reduce timber consumption, the Group promotes the use of renewable packaging materials. Through pursuit of appropriate packaging and reduce packaging material, it lowers the consumption of natural resources such as forests, and promote the sustainable development of resource-saving and environment-friendly packaging industry.

In the aspect of waste generated, hazardous waste is separately collected, stored and disposed properly by a professional company. For non-hazardous waste, the waste will be recycled if possible. General solid waste such as waste paper, plastic, garbage and general office supplies, etc., generated by Skyworth Science and Technology Industrial Park are sorted and recycled by a recycling company in the park. Non-recyclable solid waste is sent to solid waste disposal station directly. In addition, through optimising the PCB edge technology, the use of antioxidant powder tin slag, use of LED lights and other measures, the waste generated in tin slag, waste PCB board and waste lamp were reduced.

Resources Utilisation

The Group has carried out various energy saving plan for many years to minimise the amount of electricity and water used in the production process so as to cherish the natural environmental resources.

The Group has implemented the following measures in electricity savings:

- Injection molding machines modifying helps to save electricity. Meanwhile, the Group is modifying injection molding machines and all injection molding machine modification is expected to be completed by the year 2015.
- Use of new energy-saving LED lamps instead of traditional fluorescent tubes.
- Central air conditioning and related air conditioning equipment use a new environmental friendly refrigerant HR427 instead of the original R22 refrigerant. In addition, by adding high efficiency catalyst in conventional refrigerant helps to improve cooling efficiency and reduce power consumption.
- Laying of solar panels on the rooftops of staff quarters for electricity production.

Water-saving measures include the followings:

- Use of new EPS injection molding machines to replace old injection molding machines to save water.
- Pollutants emissions are mainly from domestic sewage and molding plant sewage. Domestic sewage will be discharged into sewage treatment station located in the park and Environmental Protection Agency will monitor online to make sure the sewage reach A-level national emission standards after treatment. For molding plant sewage, it will first be discharged into industrial wastewater treatment plant for treatment to make the sewage reaches the highest level of sewage standard in Guangdong Province. After that, the processed sewage will be discharged into another sewage treatment station for secondary treatment. As soon as the sewage reaches a standard for discharge, the sewage will then be further processed until it reaches the standard of reuse (flushing, greening and washing) to reduce water consumption.

In addition, the Group's factories, office buildings, dormitories and other buildings are greenery planted and energy-saving facilities such as solar heating, heat recovery of air-conditioning compressor are used extensively. All these measures together with making use of natural ventilation of buildings reduce daily energy consumption significantly.

Corporate Social Responsibility Report

OPERATING PRACTICES

Supply Chain Management

Deterioration of the environment pollution and acceleration of global warming have become one of the most important global topics in recent years. As being the electronic appliances industry leader, the Group implements effective supply chain management together with energy conservation operation principle to reduce the industrial impact to the natural environment and undertakes the responsibility of environmental protection.

The Group believes by regulating the procurement of raw materials can narrow the living space of those vendors which do not fulfill China's environmental standards and reduce the threat to the environment. Besides procuring from vendors with large-scale production, strong technical capabilities and good quality, the Group has issued "Supply chain procurement procedures" to regulate for the entire procurement process. In addition to the strict implementation of "Shop around" principle, the management of the company will hold a supply chain management meeting for every two months to review and improve the rationality of the entire procurement process and oversee the execution of the relevant procurement processes and regulations.

The Group stipulates strict demands on the supply of raw materials in procurement contracts. In addition to the fulfillment of specific environmental requirement of the procured raw materials, the vendors need to submit an environmental testing annual report to the Group from a well-known organisation in the testing industry. Vendors' products must not violate the Group's requirement on the prohibited and restricted content of raw materials and the vendor shall provide the ingredient list of the products when upon the Group's request.

Respect for Intellectual Properties

The Group spent every effort in protecting the interest of intellectual property owners. In addition to the establishment of the intellectual property team to manage and co-ordinate all affairs related to intellectual property rights on Group's products, the Group particularly search for the patents related to its products in order to avoid infringement or design modification on others' patents to protect the interests of the intellectual property owners under intellectual properties law.

For the protection of the Group's intellectual property, the Group issued "Skyworth Intellectual Property Handbook" covering patents management, patent transfer and licensing, patent awards and patents training for employees to refer and comply. By adding confidentiality terms in the contracts between third party and the Group, the Group's patents and core technology can be secured and protected.

Product Responsibility

The Group has strict quality control on its products which have to pass various international safety regulations testing and China Compulsory Certification to ensure the manufactured products are safe. In addition, the Group has developed its own rigorous testing standards, such as color TV safety test and electromagnetic compatibility (EMC) test to ensure the products give users a perfect experience.

Each production plant will perform quality testing on manufactured parts and raw materials. For quality inspection on finished goods, functional test and appearance inspection will be performed on the entire machine to ensure it meets with the Group's standard and prevent the substandard goods to be shipped. For the return of defective goods, the Group sets up a customer hotline and the staff will visit customers to identify defects on the products and arrange the delivery of the defective goods to the factory.

In addition, the Group adopts a pragmatic approach to deal with all the users' views in experiencing products as all the views are welcomed and treasured by the Group. Customer Service Department has a track team to track for all the comments until the problem is solved. For the views particularly on product quality and sales process, the Group will send the view back to the quality control department and corresponding business processing unit to follow up and all the views will be used as an input for internal analysis so as to further enhance the quality of the Group's product and user experience. In order to protect the information and privacy of customers and commenters, the Group has encrypted the relevant information to maintain confidentiality in accordance with the internal guidelines. For personnel who disclose any commercial information and invade user privacy will receive punishment in accordance with the internal regulations of the Group.

Corporate Social Responsibility Report

COMMUNITY CONTRIBUTIONS

Skyworth's core values are based on "integrity and win-win cooperation" between its customers, suppliers, shareholders and all stakeholders. The Group has been using its resources to contribute the community by supporting people in need and actively participating in different CSR activities in order to strengthen sustainability awareness and fulfill social responsibility. The CSR activities mainly covered education support, technology sharing, volunteering initiatives and public donation.

Education Support

Supporting education development has always been a key charitable cause for the Group. During the Reporting Year, the Group made proactive efforts in building educational infrastructure, engaging in school construction projects and providing financial aids to students in need. Meanwhile, the Group always endeavours in education support by sponsorships and conducting different social activities to promote education development in the Mainland China.

- Construction Projects of Red Army Primary School (紅軍小學建設計劃)

  Since 2012, the Group has carried out "Skyworth National Red Army Primary School Project"（「創維全國紅軍小學圓夢行」）for 3 consecutive years to improve educational infrastructure in China's poverty areas. The project includes construction of Red Army Primary Schools（「紅軍小學」）in the Mainland China and building multimedia classrooms in these schools for providing students with advanced educational equipment.

  As at 31 March 2015, we have sponsored the construction project of building 50 Red Army Primary Schools. In the past 3 financial years, the Group has sponsored the construction projects with more than 100 schools.

- Helping Students with Financial Hardship

  The Group committed to promoting equal education opportunities and helping students with financial hardship to complete their studies through scholarships.

  During the Reporting Year, Skyworth engaged in a large-scale charity programme named "I'm going to school"（「我要上學」）which was initiated by Music Radio of China National Radio（「中央人民廣播電台音樂之聲」）and China Children and Teenagers' Fund（「中國兒童少年基金會」）. In this programme, Skyworth donated and sponsored over a hundred of children with financial difficulties by providing each student with a three-year study grant. The Group wishes to raise the public awareness of education development through this programme, and help family and children in need with love and care.

Technology Sharing

Conducting technology sharing exhibition is also one of the social support activities by the Group. Since 2012, the Group organises an annual "Skyworth Aerospace Caravan Tour Event", in which the caravan travels around the country to enhance the aerospace knowledge of general public. People can understand the life of astronauts, review the aerospace development history of China and appreciate the advancement of the space technology of our own country.

During the roadshow and exhibition activities, with the combination of mobile communication and Skyworth's high-end technology products, people's aerospace knowledge can be enhanced through product experience, technology sharing and interactive games.

Corporate Social Responsibility Report

Volunteering Initiatives and Public Donation

The Group strives to engage local social organisations in the proximity of our business community and collaborate closely with local voluntary service associations to organize and participate in various community services. These include environmental protection activities, visiting people in need and serving at large scale social events.

During the Reporting Year, the Group donated RMB1 million (equivalent to HK$1.25 million) to Shenzhen Community Foundation (深圳市社區基金會), and became one of the first caring companies for donation. The Shenzhen Community Foundation focuses on improving people's living standard and welfare level and promoting social equity and justice. The foundation serves to help the poor, the weak and the disabled in the society, supporting education and other social charities, and hence we believe these social supports will have a positive and long-term impact to the society.

The Group made charitable donations approximately amounting to HK$4 million for different charity activities during the Reporting Year. We wish to contribute to our community and create better life for different people through charitable donations. Moving forward, the Group will continue to strive for more progress in our sustainability journey and will take active steps to implement various CSR initiatives.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SKYWORTH DIGITAL HOLDINGS LIMITED
(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 158, which comprise the consolidated statement of financial position as at 31 March 2015, 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 financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 June 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015 | Amounts expressed in millions of Hong Kong dollars except for earnings per share data

	NOTES	2015	2014
Turnover	7	**40,135**	39,480
Cost of sales		**(32,112)**	(31,851)
Gross profit		**8,023**	7,629
Other income	9	**1,103**	973
Other gains and losses	10	**25**	(149)
Gain on disposal of land and other associated assets	11	**1,755**	–
Selling and distribution expenses		**(4,835)**	(4,925)
General and administrative expenses		**(1,736)**	(1,645)
Finance costs	12	**(161)**	(163)
Share of results of associates	23	**4**	1
Share of results of joint ventures	24	**(2)**	(21)
Profit before taxation		**4,176**	1,700
Income tax expense	13	**(826)**	(267)
Profit for the year	14	**3,350**	1,433
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(32)**	(8)
Fair value loss on available-for-sale financial assets		**(27)**	(12)
Reclassification adjustment upon impairment of available-for-sale financial assets	26	**27**	12
Fair value loss on cash flow hedges	30(4)	**–**	(3)
Loss on cash flow hedges reclassified to profit or loss	30(4)	**–**	13
Other comprehensive (expense) income for the year		**(32)**	2
Total comprehensive income for the year		**3,318**	1,435
Profit for the year attributable to:			
Owners of the Company		**3,128**	1,254
Non-controlling interests		**222**	179
		3,350	1,433
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,098**	1,256
Non-controlling interests		**220**	179
		3,318	1,435
Earnings per share (expressed in Hong Kong cents)			
Basic	18	**110.71**	44.64
Diluted	18	**110.43**	44.58

Consolidated Statement of Financial Position

At 31 March 2015 | Amounts expressed in millions of Hong Kong dollars

	NOTES	2015	2014
Non-current Assets			
Property, plant and equipment	19	**5,223**	4,436
Deposits for purchase of property, plant and equipment		**56**	147
Investment properties	20	**5**	10
Prepaid lease payments on land use rights	21	**550**	457
Goodwill	22	**411**	–
Interests in associates	23	**18**	14
Interests in joint ventures	24	**54**	59
Held-to-maturity investments	25	**325**	–
Available-for-sale investments	26	**1,424**	691
Deferred tax assets	27	**195**	150
		8,261	5,964
Current Assets			
Inventories	28	**4,342**	4,188
Stock of properties	29	**830**	656
Prepaid lease payments on land use rights	21	**14**	11
Derivative financial instruments	30	**1**	–
Held-to-maturity investments	25	**653**	325
Available-for-sale investments	26	**821**	284
Trade and other receivables, deposits and prepayments	31	**7,300**	5,787
Bills receivable	32	**7,297**	10,061
Loan to a joint venture	33	**25**	25
Amounts due from associates	34	**38**	123
Prepaid tax		**–**	125
Pledged bank deposits	35	**423**	1,572
Bank balances and cash	35	**3,317**	3,023
		25,061	26,180
Current Liabilities			
Trade and other payables	36	**9,154**	9,241
Bills payable	37	**4,835**	4,094
Obligations arising from put options written to non-controlling interests	38	**–**	485
Derivative financial instruments	30	**2**	5
Provision for warranty	39	**166**	149
Amounts due to joint ventures	40	**–**	4
Amounts due to associates	40	**5**	17
Tax liabilities		**448**	162
Bank borrowings	41	**1,274**	5,156
Deferred income	42	**185**	188
		16,069	19,501
Net Current Assets		**8,992**	6,679
Total Assets less Current Liabilities		**17,253**	12,643

Consolidated Statement of Financial Position

At 31 March 2015 | Amounts expressed in millions of Hong Kong dollars

	NOTES	2015	2014
Non-current Liabilities			
Provision for warranty	39	**65**	50
Bank borrowings	41	**1,312**	547
Deferred income	42	**522**	554
Deferred tax liabilities	27	**151**	144
		2,050	1,295
NET ASSETS		**15,203**	11,348
Capital and Reserves			
Share capital	43	**285**	283
Share premium		**2,567**	2,501
Share option reserve		**221**	193
Share award reserve		**37**	–
Shares held for share award scheme		**(76)**	–
Surplus account		**38**	38
Capital reserve		**1,165**	749
Exchange reserve		**1,082**	1,112
Accumulated profits		**8,420**	5,946
Equity attributable to owners of the Company		**13,739**	10,822
Non-controlling interests		**1,464**	526
		15,203	11,348

The consolidated financial statements on pages 66 to 158 were approved and authorised for issue by the board of directors on 19 June 2015 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 2015 | Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company													
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	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 17)*	–	–	–	–	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,128	3,128	222	3,350
Exchange differences arising on translation	–	–	–	–	–	–	–	–	(30)	–	–	(30)	(2)	(32)
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(27)	–	–	–	–	–	(27)	–	(27)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	–	–	27	–	–	–	–	–	27	–	27
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(30)	–	3,128	3,098	220	3,318

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015 | Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company													
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	Surplus account *(Note a)*	Capital reserve *(Note b)*	Exchange reserve	Hedging reserve	Accumulated profits	Total	Non-controlling interests	Total
Purchase of shares for unvested shares under the share award scheme of the Company	–	–	–	–	(76)	–	–	–	–	–	–	(76)	–	(76)
Recognition of equity-settled share-based payments	–	–	29	37	–	–	–	–	–	–	–	66	–	66
Transfer to capital reserve	–	–	–	–	–	–	–	416	–	–	(416)	–	–	–
Issue of shares under share option scheme	–	3	(1)	–	–	–	–	–	–	–	–	2	–	2
Issue of shares under scrip dividend scheme	2	63	–	–	–	–	–	–	–	–	–	65	–	65
Dividends recognised as distribution *(note 17)*	–	–	–	–	–	–	–	–	–	–	(564)	(564)	–	(564)
Adjustment arising from obligations from put options written to non-controlling interests *(note 38)*	–	–	–	–	–	–	–	–	–	–	–	–	(33)	(33)
Release of obligations arising from put options written to non-controlling interests *(note 38)*	–	–	–	–	–	–	–	–	–	–	–	–	538	538
Lapse of put options written to non-controlling interests *(note 38)*	–	–	–	–	–	–	–	–	–	–	66	66	(66)	–
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note c)*	–	–	–	–	–	–	–	–	–	–	267	267	281	548
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Acquisition of additional interest in subsidiaries *(Note d)*	–	–	–	–	–	–	–	–	–	–	(7)	(7)	2	(5)
Balance at 31 March 2015	285	2,567	221	37	(76)	–	38	1,165	1,082	–	8,420	13,739	1,464	15,203

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

(b) *Capital reserve represented The People's Republic of China (the "PRC") statutory reserves. Pursuant to the relevant PRC regulations and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to transfer not less than 10% of their post-tax profit to statutory reserves (i.e. capital reserve) as reserve funds until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.*

(c) *During the year ended 31 March 2015, the Company disposed of partial interests in certain subsidiaries. This includes a disposal of 11.46% interest of Shenzhen Skyworth Digital Technology Co., Ltd. ("SSDT") for a deemed consideration of HK$541 million. The difference between the deemed consideration of HK$541 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$270 million, amounting to HK$271 million, is credited to accumulated profits. Details of the partial disposal of SSDT are disclosed in note 22.*

(d) *During the year ended 31 March 2015, the Company acquired 20% interest in 創維光電科技(深圳)有限公司 from a non-controlling shareholder for a consideration of HK$5 million. The difference between the cash consideration paid and the carrying amount of the net liabilities attributable to the additional interest acquired from the non-controlling shareholder of HK$7 million is debited to accumulated profits.*

Consolidated Statement of Cash Flows

For the year ended 31 March 2015 | Amounts expressed in millions of Hong Kong dollars

	2015	2014
OPERATING ACTIVITIES		
Profit before taxation	**4,176**	1,700
Adjustments for:		
Depreciation of investment properties	**–**	1
Depreciation of property, plant and equipment	**443**	395
Dividend income	**(6)**	(8)
Finance costs	**161**	163
Gain from changes in fair value of derivative financial instruments	**(10)**	(10)
Gain on disposal of land and other associated assets	**(1,755)**	–
(Gain) loss on disposal of property, plant and equipment and prepaid lease payment on land use right	**(62)**	19
Government grants related to assets recognised	**(179)**	(49)
Impairment loss on trade receivables	**28**	47
Impairment loss recognised in respect of available-for-sale investments	**27**	12
Imputed interest income from trade receivables	**–**	(2)
Interest income from available-for-sales investments	**(44)**	–
Interest income from bank deposits	**(108)**	(74)
Interest income from bills receivable	**(28)**	(37)
Interest income from held-to-maturity investments	**(63)**	–
Loss on cash flow hedges included in profit or loss	**–**	13
Release of prepaid lease payments on land use rights	**17**	11
Share-based payment expenses	**66**	36
Share of results of associates	**(4)**	(1)
Share of results of joint ventures	**2**	21
Special allowance for inventories	**–**	97
Write-down of inventories	**63**	43
Operating cash flows before movements in working capital	**2,724**	2,377
Cash received on settlement of performance swap contract	**8**	12
Cash received on settlement of target redemption forward contracts	**–**	3
(Increase) decrease in inventories	**(135)**	870
Increase in stock of properties	**(252)**	(117)
(Increase) decrease in trade and other receivables, deposits and prepayments	**(1,327)**	451
Decrease (increase) in bills receivable	**2,823**	(553)
Decrease (increase) in amounts due from associates	**85**	(123)
Decrease in trade and other payables	**(408)**	(368)
Increase in bills payable	**720**	2,395
Increase in provision for warranty	**33**	27
Decrease in amounts due to joint ventures	**(4)**	–
Decrease in amounts due to associates	**(12)**	(48)
Decrease in deferred income	**(3)**	(1)
Cash generated from operations	**4,252**	4,925
PRC income tax paid	**(453)**	(455)
NET CASH FROM OPERATING ACTIVITIES	**3,799**	4,470

Consolidated Statement of Cash Flows

For the year ended 31 March 2015 | Amounts expressed in millions of Hong Kong dollars

	NOTES	2015	2014
INVESTING ACTIVITIES			
Dividend received		**10**	8
Interest received		**199**	100
Purchase of property, plant and equipment		**(1,116)**	(1,915)
Proceeds on disposal of property, plant and equipment and prepaid lease payment on land use right		**54**	24
Prepaid lease payments on land use rights		**(45)**	(24)
Net proceeds received on disposal of land and other associated assets	11	**1,859**	–
Net cash inflow from acquisition of a subsidiary	22	**14**	–
Return of capital upon deregistration of a joint venture	24	**–**	29
Receipt from settlement of other receivable		**–**	108
Investments in held-to-maturity investments		**(1,333)**	(325)
Receipt upon maturity of held-to-maturity investments		**688**	–
Investments in available-for-sale investments		**(1,660)**	(628)
Proceeds on disposal of available-for-sale investments		**375**	2
Advances to staffs		**(57)**	(49)
Repayments from staffs		**51**	46
Loan to a joint venture		**(25)**	(25)
Repayment from a joint venture		**25**	–
Government grants received related to assets		**148**	86
Placement of pledged bank deposits		**(423)**	(1,572)
Withdrawal of pledged bank deposits		**1,572**	623
Withdrawal of structured bank deposit		**–**	25
Placement of restricted bank deposits		**(225)**	(276)
Withdrawal of restricted bank deposit		**230**	187
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**341**	(3,576)
FINANCING ACTIVITIES			
Dividends paid		**(503)**	(489)
Interest paid		**(148)**	(137)
Issue of shares through exercise of share options		**2**	–
Purchases of shares for unvested shares under share award scheme		**(76)**	–
Contributions from non-controlling interests		**–**	179
Acquisition of additional interest in subsidiaries		**(5)**	–
Proceeds from partial disposals of subsidiaries		**7**	–
New bank borrowings raised		**3,951**	15,584
Repayment of bank borrowings		**(5,591)**	(15,708)
(Repayments of) borrowings arising from discounted bills with recourse		**(1,472)**	294
Cash paid on settlement of cross-currency interest rate swap		**–**	(13)
NET CASH USED IN FINANCING ACTIVITIES		**(3,835)**	(290)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**305**	604
CASH AND CASH EQUIVALENTS AT 1 APRIL		**2,918**	2,285
Effect of foreign exchange rate changes		**(6)**	29
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash		**3,217**	2,918
Bank balances and cash represented:			
Cash and cash equivalents		**3,217**	2,918
Restricted bank deposits	35	**100**	105
		3,317	3,023

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 54, 23 and 24 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 HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
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HKFRS 15	Revenue from Contracts with Customers[6]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

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 *Effective for annual periods beginning on or after 1 January 2016*
4 *Effective for annual periods beginning on or after 1 January 2018*
5 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*
6 *Effective for annual periods beginning on or after 1 January 2017*

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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 below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- 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 of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial instruments. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, 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 acquire (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 HKFRSs.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 instruments.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Financial assets at 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 (b) held-to-maturity investments or (c) 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 of each reporting period (see accounting policy in respect of impairment of financial assets below).

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 trade and other receivables, bills receivable, loan to a joint venture, amounts due from associates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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.

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, 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.

In respect of AFS equity investments, impairment losses 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. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss of an increase in the fair value of the investment can be objectively related to an event arising after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

Obligations arising from put options on shares of a subsidiary written to non-controlling interests

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for warranty

Provision for warranty is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation. Provision for warranty is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value (where the effect of the time value of money is material).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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 bases 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 rates (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

Share options scheme

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.

Share award scheme

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's share held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated profits.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

Processing income, 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.

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

Critical judgements in applying accounting policies

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

Transfer of financial assets

As disclosed in note 44, the Group has derecognised bills receivable issued by banks, the payables to suppliers and the financial liabilities on bills discounted with recourse 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 obligations 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 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 2015, the carrying amount of the held-to-maturity investments is HK$978 million (2014: HK$325 million). Details of these assets are set out in note 25.

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 2015, allowance of HK$63 million (2014: HK$140 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. During the year ended 31 March 2015, impairment loss of HK$28 million (2014: HK$47 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 five years product warranty to its customers depending on product type, under which faulty products are repaired or replaced. As at 31 March 2015, provision for warranty of HK$231 million (2014: HK$199 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015, the carrying amount of goodwill is HK$411 million (2014: nil). Details of the recoverable amount calculations are disclosed in note 22.

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 20 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 41, 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

	2015 HK$ million	2014 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**17,142**	19,625
Held-to-maturity investments	**978**	325
Available-for-sale financial assets	**2,245**	975
Derivative financial instruments	**1**	–
Financial liabilities		
Liabilities at amortised cost	**14,734**	17,613
Derivative financial instruments	**2**	5

(b) Financial risk management objectives and policies

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

6. FINANCIAL INSTRUMENTS (Continued)

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

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 78% (2014: 83%) of the Group's total turnover. All of these sales transactions are conducted and denominated in RMB. The Group needs to convert revenue in RMB into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although RMB is not a freely convertible currency, the Group did not experience any difficulties in such conversion to meet operational requirements.

The 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	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
United States dollars ("US$") against RMB	**844**	569	**1,211**	3,829
HK$ against RMB	**31**	563	**85**	5
RMB against HK$	**10**	409	**–**	–
Euro ("EUR") against RMB	**–**	–	**–**	830

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 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, 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 weaken 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.

	2015 HK$ million	2014 HK$ million
Profit for the year		
US$ against RMB	**16**	139
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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 41 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 41 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$9 million (2014: HK$4 million).

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities (as disclosed in note 26). 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.

If the prices of the respective equity instruments had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK$6 million/nil (2014: HK$8 million/nil) and post-tax result for the year would increase/decrease by nil/HK$6 million (2014: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts, including to secure a third party guarantee and to enter into export credit insurance contracts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has endorsed and then derecognised certain bills receivable issued by banks, the payables to suppliers and the financial liabilities on bills discounted with recourse 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 obligations 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 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 88% (2014: 89%) 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 (2014: HK$157 million) as disclosed in note 31 for which the Group considers the counterparty has sufficient funds to repay, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers, and industries.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2015, the Group has available unutilised bank borrowing facilities of approximately HK$25,753 million (2014: HK$21,622 million).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 (inflows) 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 31.3.2015 HK$ million
2015								
Non-derivative financial liabilities								
Trade and other payables	–	5,084	1,671	553	–	–	7,308	7,308
Bills payable	–	1,181	1,853	1,801	–	–	4,835	4,835
Amounts due to associates	–	5	–	–	–	–	5	5
Bank borrowings – variable rate	4.07	586	44	239	1,333	–	2,202	2,019
Bank borrowings – fixed rate	3.32	266	197	106	–	–	569	567
		7,122	3,765	2,699	1,333	–	14,919	14,734
Derivatives settled, net								
Foreign currency forward contracts		–	–	2	–	–	2	2
Performance swap contracts		–	(1)	–	–	–	(1)	(1)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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 31.3.2014 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 employees (note 38)	–	242	–	–	–	–	242	242
Obligations arising from put options written to outsiders (note 38)	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

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

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2015, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$578 million (2014: HK$552 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 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$584 million (2014: HK$553 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**	**Total undiscounted cash flows HK$ million**	**Carrying amount HK$ million**
31 March 2015	**2.38**	**15**	**51**	**518**	**584**	**578**
31 March 2014	1.78	452	101	–	553	552

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 2015 HK$ million	Fair value as at 2014 HK$ million	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets:				
Listed equity securities	**61**	79	Level 1	Quoted bid prices in an active market
Derivative financial instruments:				
Foreign currency forward contracts	**(2)**	(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.
Performance swap contracts	**1**	–	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.
	(1)	(5)		

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

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, rental income from leasing of properties, and services provided for the year. An analysis of the Group's turnover for the year is as follows:

	2015 HK$ million	2014 HK$ million
Manufacture and sales of televisions ("TV") products	**30,141**	29,484
Manufacture and sales of digital set-top boxes	**4,376**	4,162
Processing income and sales of liquid crystal display ("LCD") modules	**643**	859
Manufacture and sales of white appliances	**2,358**	2,532
Property rental income	**249**	122
Sales of properties	**175**	34
Others	**2,193**	2,287
	40,135	39,480

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

8. SEGMENT INFORMATION (Continued)

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

In addition to the above reportable segments, the Group has other operating segments mainly include (i) design, manufacture and sale of other electronic products, and (ii) sales of properties. These two operating segments do not 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.

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 2015

	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	24,379	5,762	4,376	643	2,358	249	2,368	–	40,135
Inter-segment revenue	945	–	2	1,007	–	26	227	(2,207)	–
Total segment revenue	25,324	5,762	4,378	1,650	2,358	275	2,595	(2,207)	40,135
Results									
Segment results	1,691	120	494	147	83	161	(94)	–	2,602
Interest income									243
Unallocated corporate expenses less income									(265)
Gain on disposal of land and other associated assets									1,755
Finance costs									(161)
Share of results of associates									4
Share of results of joint ventures									(2)
Consolidated profit before taxation of the Group									4,176

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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									111
Unallocated corporate expenses less income									(312)
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

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, gain on disposal of land and other associated assets, 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.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 March 2015

	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	14,292	1,067	3,558	922	1,452	1,080	3,284	–	25,655
Goodwill									411
Interests in associates									18
Interests in joint ventures									54
Unallocated corporate assets									7,184
Total consolidated assets									33,322
Liabilities									
Segment liabilities	9,770	346	2,037	477	1,192	121	282	–	14,225
Unallocated corporate liabilities									3,894
Total consolidated liabilities									18,119

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

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

- all assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, held-to-maturity investments, available-for-sale investments, deferred tax assets, derivative financial instruments, loan to a joint venture, prepaid tax, 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.

Notes to the Consolidated Financial Statements

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8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March 2015

	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	302	5	123	122	369	24	307	–	1,252
– Prepaid lease payments for land use rights	–	–	–	–	40	2	3	–	45
Depreciation of property, plant and equipment	232	1	35	43	62	39	31	–	443
(Gain) loss on disposal of property, plant and equipment	(55)	–	1	3	(9)	–	(2)	–	(62)
Impairment loss on trade receivables	6	–	12	–	2	–	8	–	28
Release of prepaid lease payments on land use rights	5	–	1	–	1	3	7	–	17
Write-down (write-back) of inventories	26	9	10	(3)	(2)	–	23	–	63

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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	39	20	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

Geographical information

The Group's operations are located in the PRC, Asia region (other than the PRC), America, 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)*	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
PRC	**31,541**	32,739	**6,275**	5,101
Asia region (other than PRC)	**2,125**	2,826	**39**	21
America	**2,982**	2,128	**–**	–
Europe	**947**	904	**–**	–
Other regions	**2,540**	883	**3**	1
	40,135	39,480	**6,317**	5,123

Note: Non-current assets excluded held-to-maturity investments, available-for-sale investments and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

9. OTHER INCOME

	2015 **HK$ million**	2014 HK$ million
Dividend income from unlisted investments	**6**	8
Government grants *(note 42)*		
– related to assets	**179**	49
– related to expense items	**143**	235
	322	284
Imputed interest income from trade receivables	**–**	2
Interest income from		
– available-for-sales investments	**44**	–
– bank deposits	**108**	74
– bills receivable	**28**	37
– held-to-maturity investments	**63**	–
	243	111
Repairs and maintenance income	**126**	82
Value-added-tax (“VAT”) refund	**275**	345
Others	**131**	141
	1,103	973

10. OTHER GAINS AND LOSSES

	2015 **HK$ million**	2014 HK$ million
Exchange gain (loss), net	**8**	(31)
Gain from changes in fair value of derivative financial instruments *(note 30)*	**10**	10
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments on land use rights	**62**	(19)
Impairment loss recognised in respect of available-for-sale investments *(note 26)*	**(27)**	(12)
Impairment loss recognised in respect of trade receivables *(note 31)*	**(28)**	–
Special allowance for inventories *(Note)*	**–**	(97)
	25	(149)

Note: Up to 31 March 2014, the Group delivered certain inventories to an overseas customer with carrying amount of approximately HK$111 million. The management considered that the title of the inventories was not yet passed to the customer according to the shipping terms. Such overseas customer went bankruptcy during the year ended 31 March 2014. 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 year ended 31 March 2014.

11. GAIN ON DISPOSAL OF LAND AND OTHER ASSOCIATED ASSETS

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 (equivalent to HK$2.07 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. 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 had been completed during the year, a net gain before profit tax of approximately HK$1,755 million is recognised in the profit or loss.

The gain on disposal of land and other associated assets is determined as follows:

	HK$ million
Consideration received	2,070
Less: Transaction costs directly attributable to the disposal	(211)
	1,859
Less: Carrying amount of prepaid lease payments on land use rights disposed	(18)
Carrying amount of property, plant and equipment disposed	(8)
Carrying amount of stock of properties disposed	(78)
Gain on disposal of land and other associated assets	1,755

12. FINANCE COSTS

	2015 HK$ million	2014 HK$ million
Interest on bank borrowings wholly repayable within five years	**148**	137
Imputed interest expenses on obligations arising from put options written to non-controlling interests *(note 38)*	**13**	26
	161	163

13. INCOME TAX EXPENSE

	2015 HK$ million	2014 HK$ million
PRC income tax		
Current year	**500**	330
Tax in related to gain on disposal of land and other associated assets	**393**	–
Overprovision in prior years	**(29)**	(16)
	864	314
Deferred taxation *(note 27)*	**(38)**	(47)
	826	267

Notes to the Consolidated Financial Statements

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

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

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 27.

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 Enterprise Income Tax ("EIT") pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. During the year ended 31 March 2014, HK$28 million of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries.

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:

	2015 **HK$ million**	2014 HK$ million
Profit before taxation	**4,176**	1,700
Tax at applicable tax rate at 15% *(Note)*	**627**	255
Tax effect of expenses not deductible for tax purpose	**38**	35
Tax effect of income not taxable for tax purpose	**(51)**	(42)
Overprovision in prior years	**(29)**	(16)
Tax effect of tax losses not recognised	**64**	24
Utilisation of tax losses previously not recognised	**(19)**	(23)
Tax effect of share of results of associates	**(1)**	–
Tax effect of share of results of joint ventures	**–**	3
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**194**	25
Others	**3**	6
Income tax expense for the year	**826**	267

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%.

In 2011, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on certain subsidiaries of the Company in Hong Kong and Macau for the years of assessments from 2002/2003 onwards. Assessments/estimated assessments for the years of assessment 2002/2003 to 2008/2009 were issued to the relevant subsidiaries. Tax reserve certificates in an aggregate amount of approximately HK$17.5 million were purchased up to the date of this report. The documents submitted to the IRD are currently being reviewed and views are being exchanged with the IRD.

14. PROFIT FOR THE YEAR

	2015 HK$ million	2014 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Auditors' remunerations	**8**	8
Cost of inventories recognised as an expense including write-down of inventories of HK$63 million (2014: HK$43 million)	**31,912**	31,789
Cost of stock of properties recognised as an expense	**102**	25
Depreciation of investment properties	**–**	1
Depreciation of property, plant and equipment	**443**	395
Impairment loss on trade receivables	**28**	47
Operating lease rentals in respect of land and buildings	**135**	134
Release of prepaid lease payments on land use rights	**17**	11
Rental income from leasing of properties less related outgoings of HK$37 million (2014: HK$19 million)	**(151)**	(85)
Research costs recognised as an expense (including staff costs of HK$370 million (2014: HK$332 million))	**614**	581
Special allowance for inventories *(note 10)*	**–**	97
Staff costs:		
– Directors' and chief executive's emoluments *(note 15)*	**86**	71
– Related staff costs for research activities	**370**	332
– Other staffs salaries, bonus, retirement benefits and others	**3,213**	2,902
	3,669	3,305

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2015 HK$'000	2014 HK$'000
Directors' fees	**3,879**	3,717
Other emoluments:		
Basic salaries and allowances	**8,222**	6,678
Performance related incentive payments *(Note)*	**54,740**	44,361
Retirement benefits scheme contributions	**308**	149
Share-based payments	**18,485**	16,044
	85,634	70,949

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 2015 and 31 March 2014.

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15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

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

	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Total HK$'000
2015						
Executive directors:						
Lin Wei Ping	614	1,459	89	–	–	2,162
Yang Dongwen *(Note)*	631	1,904	87	39,247	8,587	50,456
Lu Rongchang	500	1,251	–	7,397	1,963	11,111
Shi Chi	–	2,158	115	3,096	1,906	7,275
Chan Wai Kay, Katherine	550	1,450	17	5,000	6,029	13,046
	2,295	8,222	308	54,740	18,485	84,050
Independent non-executive directors:						
So Hon Cheung, Stephen (resigned with effect from 1 January 2015)	396	–	–	–	–	396
Li Weibin	528	–	–	–	–	528
Wei Wei	528	–	–	–	–	528
Cheong Ying Chew (appointed with effect from 1 January 2015)	132	–	–	–	–	132
	1,584	–	–	–	–	1,584
Total directors' emoluments	3,879	8,222	308	54,740	18,485	85,634

15. 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
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

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.

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16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2014: four) were directors of the Company, whose emoluments are included in note 15 above. The emoluments of the remaining individuals for each of the two years ended 31 March 2015 are as follows:

	2015 HK$ million	2014 HK$ million
Basic salaries, allowances and benefits in kind	**4**	2
Retirement benefit scheme contributions	**–**	–
Performance related incentive payments *(Note)*	**20**	7
Share-based payments	**5**	1
	29	10

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 two years ended 31 March 2015.

17. DIVIDENDS

	2015 HK$ million	2014 HK$ million
Dividends recognised as distribution during the year:		
2014 Final – HK6.5 cents (2014: 2013 final dividend HK11.0 cents) per share	**184**	308
2015 Interim – HK9.5 cents (2014: 2014 interim dividend HK8.5 cents) per share	**269**	239
Special dividend upon the completion of acquisition of subsidiaries and partial disposal of a subsidiary – HK4.0 cents *(note 22)*	**113**	–
Less: Dividends for shares held by employee's share award scheme *(note 46(ii))*	**(2)**	–
	564	547

The final dividend of HK11.0 cents per share, totalling approximately HK$314 million, for the year ended 31 March 2015 is proposed by the directors of the Company on 19 June 2015. 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 2015.

17. DIVIDENDS (Continued)

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

	2015 HK$ million	2014 HK$ million
2014 Final dividend (2014: 2013 Final dividend)		
Cash	**160**	303
Scrip dividends	**24**	5
	184	308
2015 Interim dividend (2014: 2014 interim dividend)		
Cash	**228**	136
Scrip dividends	**41**	103
	269	239

18. 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:

	2015 HK$ million	2014 HK$ million
Earnings		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**3,128**	1,254
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,825,285,119**	2,809,110,578
Effect of dilutive potential ordinary shares in respect of outstanding share options	**3,317,995**	4,086,482
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**3,931,408**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,832,534,522**	2,813,197,060

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 2015 and 2014.

The weighted average number of ordinary shares shown above has been arrived at after deducting 18,416,000 shares (2014: nil) held by share award scheme trust as set out in note 46(ii).

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19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$ million	Construction in progress HK$ million	Plant and machinery HK$ million	Furniture, equipment and motor vehicles HK$ million	Total HK$ million
COST					
At 1 April 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
Additions	118	516	421	197	1,252
Disposals	(186)	–	(63)	(127)	(376)
Reclassification	451	(820)	367	2	–
Acquisition of a subsidiary *(note 22)*	42	–	114	15	171
Transfer from investment properties *(note 20)*	6	–	–	–	6
Exchange realignment	(13)	1	1	(2)	(13)
At 31 March 2015	3,481	479	2,303	862	7,125
DEPRECIATION					
At 1 April 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
Provided for the year	177	–	118	148	443
Eliminated on disposals	(49)	–	(34)	(101)	(184)
Transfer from investment properties *(note 20)*	1	–	–	–	1
Exchange realignment	(7)	–	1	(1)	(7)
At 31 March 2015	644	–	832	426	1,902
CARRYING VALUES					
At 31 March 2015	2,837	479	1,471	436	5,223
At 31 March 2014	2,541	782	716	397	4,436

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	10% 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 (2014: HK$517 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.

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying values of leasehold land and buildings, and construction in progress shown above comprise:

	2015 HK$ million	2014 HK$ million
Leasehold land and buildings:		
In the PRC held under		
– long term leases	**41**	32
– medium-term leases	**997**	916
	1,038	948
In Hong Kong held under long term leases	**21**	16
	1,059	964
Buildings:		
In the PRC held under medium-term leases	**1,778**	1,577
	2,837	2,541
Construction in progress:		
In the PRC held under medium-term leases	**479**	782
	3,316	3,323

20. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2013 and 31 March 2014	13
Transfer to property, plant and equipment *(Note)*	(6)
At 31 March 2015	7
DEPRECIATION	
At 1 April 2013	2
Provided for the year	1
At 31 March 2014	3
Transfer to property, plant and equipment *(Note)*	(1)
At 31 March 2015	2
CARRYING VALUES	
At 31 March 2015	5
At 31 March 2014	10

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

Note: *During the year, certain properties with an aggregate carrying amount of approximately HK$5 million were transferred to property, plant and equipment upon commencement of owner-occupation by the Group after the end of operating leases to outsiders.*

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20. INVESTMENT PROPERTIES (Continued)

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 2015 was approximately HK$38 million (2014: HK$71 million). The fair values at 31 March 2015 and 31 March 2014 have been arrived at based on valuations carried out by Asset Appraisal Limited and Greater China Appraisal Limited respectively, independent valuers not connected with the Group.

As at 31 March 2014, 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. The fair value of the investment properties was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

At 31 March 2015, the fair value was determined based on comparison method whereby comparison based on prices information of comparable properties is made, since there are more market transactions available in the current year. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values and was classified as Level 1 of the fair value hierarchy.

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 2015 and 31 March 2014 are as follows:

	2015		2014	
	Level 1 HK$ million	**Fair value HK$ million**	Level 3 HK$ million	Fair value HK$ million
Completed investment properties located in Hong Kong	**5**	**38**	10	71

21. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2015 HK$ million	2014 HK$ million
Balance at 1 April	**468**	455
Additions	**45**	24
Acquisition of a subsidiary *(note 22)*	**104**	–
Disposals	**(36)**	–
Released during the year	**(17)**	(11)
Balance at 31 March	**564**	468
Analysed for reporting purposes as:		
Non-current assets	**550**	457
Current assets	**14**	11
	564	468

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

22. ACQUISITIONS OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY

On 19 April 2013, a conditional framework agreement ("Framework Agreement") was entered into between (i) Shenzhen Chuangwei - RGB Electronics Co., Ltd. ("RGB"), an indirect wholly-owned subsidiary of the Company, (ii) China Resources Jinhua Co., Ltd. ("China Resources Jinhua"), a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange, (iii) the minority shareholders of SSDT and (iv) China Resources Textiles Holdings Limited ("China Resources Textiles"), the controlling shareholder of China Resources Jinhua before the transaction, in relation to the disposal of interest in SSDT by RGB to China Resources Jinhua in exchange for the controlling interests in (i) 遂寧錦華紡織有限公司 ("Suining") from China Resources Jinhua and (ii) China Resources Jinhua from China Resources Textiles.

Pursuant to the Framework Agreement, (i) RGB acquired 100% equity interest in Suining, and (ii) RGB and the minority shareholders of SSDT agreed to transfer 70% and 30%, respectively, equity interests in SSDT to China Resources Jinhua while RGB acquired 58.54% equity interests in China Resources Jinhua.

During the year ended 31 March 2015, all the conditions precedent under the Framework Agreement have been fulfilled and the approval from the China Securities Regulatory Commission in respect of the transaction has been granted. After the completion, SSDT continues to be an indirect non-wholly owned subsidiary of the Company through its shareholding in China Resources Jinhua which acquired 100% equity interests in SSDT for the operation of digital set-top boxes business. RGB acquired 100% equity interest in Suining and 58.54% equity interest in China Resources Jinhua.

Acquisition of Suining and China Resources Jinhua

RGB disposed its 70% equity interests in SSDT to China Resources Jinhua in exchange for (i) 100% equity interest in Suining from China Resources Jinhua and (ii) 58.54% equity interest in China Resources Jinhua from China Resources Textiles. Upon completion of the acquisition, SSDT continues to be an indirect non-wholly owned subsidiary of the Company through its shareholding in China Resources Jinhua which acquired 100% equity interests in SSDT from RGB and the minority shareholders of SSDT for the operation of digital set-top boxes business. Suining becomes a wholly-owned subsidiary of the Group and the transaction has been accounted for as business combination using the acquisition method. Suining engaged in spinning, weaving, manufacture and sales of textiles.

Acquisition-related costs relating to the above acquisition are excluded from the cost of acquisition and have been recognised as an expense in profit or loss.

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22. ACQUISITIONS OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY (Continued)

Acquisition of Suining and China Resources Jinhua (Continued)

The fair value of assets and liabilities recognised at the date of acquisition are as follows:

	HK$ million
Non-current Assets	
Property, plant and equipment	171
Prepaid lease payments on land use rights	100
Current Assets	
Inventories	85
Prepaid lease payments on land use rights	4
Trade and other receivables	18
Bills receivable	29
Bank balances and cash	14
Current Liabilities	
Trade and other payables	(273)
Deferred income	(18)
	130

The receivables acquired (which principally comprised trade and other receivables and bills receivable) with a fair value of HK$47 million at the date of acquisition had gross contractual amounts of HK$50 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$3 million.

The goodwill arising on acquisition is as follows:

	HK$ million
Deemed consideration transferred, represent fair value of the proportionate share (70% – 58.54%, i.e. 11.46%) of SSDT disposed *(Note)*	541
Less: Net assets acquired	(130)
Goodwill arising on acquisition	411

Note: *The deemed consideration transferred recognised at the acquisition date of HK$541 million was measured by reference to the proportionated share (i.e. 11.46%) of the fair value of SSDT which was determined using discounted cash flow method based on estimated cash flows derived from the most recent financial budgets of the digital set-top boxes business for the following five years as approved by management and using a discount rate of 14%. The cash flows beyond the five-year period are extrapolated using a 3% growth rate.*

The cash inflows arising on acquisition are the bank balances and cash acquired from Suining, i.e. HK$14 million.

During the year ended 31 March 2015, Suining did not have material contribution to the turnover and profit of the Group.

On 7 November 2014, China Resources Jinhua is renamed as 創維數字股份有限公司, Skyworth Digital Co., Ltd. (“Skyworth Digital”).

22. ACQUISITIONS OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY (Continued)

Disposal of partial interest in SSDT

An amount of HK$271 million represents the difference between (i) the fair value of 11.46% of SSDT of HK$541 million and (ii) the carrying amount of the non-controlling interests of SSDT of HK$270 million attributable to the disposed interest in SSDT measured by reference to the proportionate share (11.46%) of recognised amounts of net assets of SSDT to China Resources Textiles arisen from the transactions are recognised in accumulated profits.

Impairment assessment of goodwill

For the purposes of impairment testing, goodwill has been allocated to a CGU in design, manufacture and sale of digital set-top boxes.

The recoverable amount of the CGU has been determined by a value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

The Group performed impairment review for the goodwill, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows for the following five years as approved by management and using a discount rate of 14%. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The management considered that there is no indication that the goodwill has suffered an impairment loss.

23. INTERESTS IN ASSOCIATES

	2015 **HK$ million**	2014 HK$ million
Capital contributions	**10**	10
Share of post-acquisition profits	**8**	4
	18	14

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23. INTERESTS IN ASSOCIATES (Continued)

The following set out the particulars of the associates of the Group as at 31 March 2015 and 31 March 2014 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 2015	Effective interest held by the Group 2014	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:

	2015 HK$ million	2014 HK$ million
The Group's share of profit and total comprehensive income for the year	**4**	1
Aggregate carrying amount of the Group's interests in these associates	**18**	14

24. INTERESTS IN JOINT VENTURES

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

	2015 HK$ million	2014 HK$ million
Cost of unlisted investments	**146**	146
Share of post-acquisition profits, net of dividends received	**(108)**	(102)
Exchange realignment	**16**	15
	54	59

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

During the year ended 31 March 2014, a joint venture of the Group deregistered and the capital of HK$29 million was returned to the Group.

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24. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2015 HK$ million	2014 HK$ million
The Group's share of loss and total comprehensive expense for the year	**(2)**	(21)

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:

	2015 HK$ million	2014 HK$ million
The unrecognised share of losses of joint ventures for the year	**13**	8
Cumulative unrecognised share of losses of joint ventures	**59**	46

25. HELD-TO-MATURITY INVESTMENTS

	2015 HK$ million	**2014 HK$ million**
Unlisted debt securities		
– in the PRC	**978**	325

The Group's held-to-maturity investments represent debt securities that carry fixed interest at 8.00% to 12.00% per annum (2014: 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:

	2015 HK$ million	2014 HK$ million
Remaining maturity:		
Less than 3 months	**125**	63
3 months to 1 year	**528**	262
1 to 2 years	**325**	–
	978	325
Analysed for reporting purposes as:		
Non-current assets	**325**	–
Current assets	**653**	325
	978	325

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26. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$ million	2014 HK$ million
Unlisted equity securities, at cost		
– in Hong Kong	**1**	9
– in the PRC	**1,114**	520
– in overseas	**72**	72
Less: Impairment loss recognised	**(35)**	(26)
	1,152	575
Listed equity securities		
– in Hong Kong, at fair values	**61**	79
Other financial instruments, at cost		
– in the PRC	**1,032**	321
	2,245	975
Analysed for reporting purposes as:		
Non-current assets	**1,424**	691
Current assets	**821**	284
	2,245	975

The unlisted equity securities and other financial instruments 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$27 million (2014: HK$12 million) is required to be made. The recoverable amounts of these available-for-sales investments are determined with reference to the net assets of the investments as at that date.

27. 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 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)
(Credit) charge to profit or loss	13	(1)	(20)	–	(30)	(38)
At 31 March 2015	(1)	(5)	(54)	75	(59)	(44)

27. DEFERRED TAXATION (Continued)

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:

	2015 HK$ million	2014 HK$ million
Deferred tax assets	**(195)**	(150)
Deferred tax liabilities	**151**	144
	(44)	(6)

Notes:

(1) At the end of the reporting period, the Group has unutilised tax losses of HK$1,309 million (2014: HK$990 million) available for offset against future profits. Deferred tax asset has been recognised in respect of such tax losses of HK$29 million (2014: HK$24 million). No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$1,280 million (2014: HK$966 million) due to the unpredictability of future profit streams.

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

	2015 HK$ million	2014 HK$ million
2015	**–**	14
2016	**28**	32
2017	**99**	113
2018	**92**	152
2019	**113**	135
2020	**286**	–
Carried forward indefinitely	**662**	520
	1,280	966

(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 certain accumulated profits of the PRC subsidiaries 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.

28. INVENTORIES

	2015 HK$ million	2014 HK$ million
Raw materials	**1,283**	1,137
Work in progress	**325**	290
Finished goods	**2,734**	2,761
	4,342	4,188

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29. STOCK OF PROPERTIES

	2015 HK$ million	2014 HK$ million
Properties for sales under development	**830**	656

Included in the properties for sales under development are amounts of HK$622 million (2014: HK$530 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of HK$308 million (2014: HK$258 million) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 36.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK$ million	2014 HK$ million
Derivative financial instruments are analysed as:		
Foreign currency forward contracts *(Note 1)*	**(2)**	(5)
Performance swap contracts *(Note 2)*	**1**	–

	2015 HK$ million	2014 HK$ million
Gain (loss) from changes in fair value of derivative financial instruments:		
Foreign currency forward contracts *(Note 1)*	**–**	(5)
Performance swap contracts *(Note 2)*	**10**	12
Target redemption forward contracts *(Note 3)*	**–**	3
	10	10

Note 1: Foreign currency forward contracts

During the year, the Group has entered into foreign currency forward contracts with an established commercial bank in the Hong Kong to purchase RMB in US$ at predetermined forward rates.

In prior years, 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.

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 2015		
RMB63,735,922	From August 2014 to August 2015	Buy RMB/sell US$ at 6.2593
RMB63,965,447	From September 2014 to September 2015	Buy RMB/sell US$ at 6.2819
RMB63,428,414	From October 2014 to October 2015	Buy RMB/sell US$ at 6.2304
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

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note 1: Foreign currency forward contracts (Continued)

At 31 March 2015, the fair value of the Group's foreign currency forward contracts was estimated to be a liability of HK$2 million (2014: HK$5 million). These amounts were determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the year, no net changes in fair value of the foreign currency forward contracts (2014: loss of HK$5 million) has been recognised in profit or loss.

Note 2: Performance swap contracts

During the year, the Group entered into three performance swap contracts 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 first performance swap contract consists of an interest rate swap and a target redemption forward contract:

- the interest rate swap with notional amount of US$30,000,000 has interest payments in US$ at US$-LIBOR-British Bankers' Association ("BBA") per annum capped at 1% per annum and floating interest receipts in US$ at 1.25% plus US$-LIBOR-BBA per annum for periods up to April 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2016, 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 Rates 1") is less than or equal to the strike rate (buy US$/sell RMB at 6.2700, the "Strike Rate 1"), the Group would receive a cash return of RMB20,000.

  The contract would be knocked-out and terminated when the Spot Rates 1 is less than or equal to the Strike Rate 1 for an aggregate of eleven times in aggregate as stipulated in the contract;

  (ii) if the Spot Rates 1 is greater than the Strike Rate 1 and less than or equal to the barrier rate (buy US$/sell RMB at 6.3700, the "Barrier Rate 1"), there would have no settlement; and

  (iii) if the Spot Rates 1 is greater than the Barrier Rate 1, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 1 and the Strike Rate 1 times a notional amount of US$30 million, settled in RMB equivalent.

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

- the interest rate swap with notional amount of US$30,000,000 has interest payments in US$ at US$-LIBOR-BBA per annum capped at 1% per annum and floating interest receipts in US$ at 1.25% plus US$-LIBOR-BBA per annum for periods up to April 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2016, 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 Rates 2") is less than or equal to the strike rate (buy US$/sell RMB at 6.4250, the "Strike Rate 2"), the Group would receive a cash return of RMB20,000.

  The contract would be knocked-out and terminated when the Spot Rates 2 is less than or equal to the Strike Rate 2 for an aggregate of eleven times in aggregate as stipulated in the contract;

  (ii) if the Spot Rates 2 is greater than the Strike Rate 2 and less than or equal to the barrier rate (buy US$/sell RMB at 6.5250, the "Barrier Rate 2"), there would have no settlement; and

  (iii) if the Spot Rates 2 is greater than the Barrier Rate 2, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 2 and the Strike Rate 2 times a notional amount of US$30 million, settled in RMB equivalent.

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30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note 2: Performance swap contracts *(Continued)*

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

- the interest rate swap with notional amount of US$30,000,000 has interest payments in US$ at US$-LIBOR-BBA per annum capped at 1% per annum and floating interest receipts in US$ at 1.25% plus US$-LIBOR-BBA per annum for periods up to July 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to July 2016, 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 Rates 3") is less than or equal to the strike rate (buy US$/sell RMB at 6.3500, the "Strike Rate 3"), the Group would receive a cash return of RMB20,000.

  The contract would be knocked-out and terminated when the Spot Rates 3 is less than or equal to the Strike Rate 3 for an aggregate of nine times in aggregate as stipulated in the contract;

  (ii) if the Spot Rates 3 is greater than the Strike Rate 3 and less than or equal to the barrier rate (buy US$/sell RMB at 6.5000, the "Barrier Rate 3"), there would have no settlement; and

  (iii) if the Spot Rates 3 is greater than the Barrier Rate 3, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 3 and the Strike Rate 3 times a notional amount of US$30 million, settled in RMB equivalent.

Gain from change in fair value of HK$10 million in respect of these contracts has been recognised in profit or loss for the year ended 31 March 2015.

During the year ended 31 March 2014, gain from change in fair value of HK$12 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 2014.

Note 3: Target redemption forward contracts

During the year ended 31 March 2014, 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 dates:

(i) if the US$ to RMB spot exchange rate (the "Spot Rates 4") 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 4 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 4 is less than or equal to 6.1100 or when Spot Rates 4 over Lower Barrier Rate is greater than or equal to 0.3 in aggregate as stipulated in the contract;

(ii) if the Spot Rates 4 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 4 and the Lower Barrier Rate times a notional amount of US$3 million, settled in RMB equivalent; and

(iii) if the Spot Rates 4 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 ended 31 March 2014.

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note 4: Cross-currency interest rate swap

In prior year, 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 borrowings 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.

During the year ended 31 March 2014, the Group has fully repaid the corresponding US$ bank borrowings in accordance with the repayment schedules and such arrangements are expired. Loss from changes in fair value of HK$3 million in respect of this contact has been recognised in other comprehensive income and accumulated in hedging reserve and HK$13 million of the loss has been reclassified to profit and loss.

31. 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.

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:

	2015 HK$ million	2014 HK$ million
Within 30 days	**2,083**	1,852
31 to 60 days	**701**	399
61 to 90 days	**565**	416
91 to 365 days	**1,403**	1,184
Over 365 days	**506**	496
Trade receivables	**5,258**	4,347
Purchase deposits paid for materials	**367**	237
Receivables from disposals of property, plant and equipment and prepaid lease payments on land use rights	**207**	–
Receivables from government for refunds paid to customers on buying energy-saving products	**157**	157
VAT receivables	**483**	377
Other deposits paid, prepayments and other receivables	**828**	669
	7,300	5,787

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31. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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$2,508 million (2014: HK$1,997 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.

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

	2015 HK$ million	2014 HK$ million
Overdue:		
Within 30 days	**1,257**	723
31 to 60 days	**305**	277
61 to 90 days	**200**	154
91 days or over	**746**	843
	2,508	1,997

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:

	2015 HK$ million	2014 HK$ million
Balance at 1 April	**175**	130
Impairment loss recognised on trade receivables	**28**	47
Amounts uncollectible written off	**(16)**	(5)
Exchange realignment	**(2)**	3
Balance at 31 March	**185**	175

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$185 million (2014: HK$175 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

32. BILLS RECEIVABLE

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

	2015 HK$ million	2014 HK$ million
Within 30 days	**601**	2,417
31 to 60 days	**1,168**	1,458
61 to 90 days	**1,511**	1,822
91 days or over	**3,711**	3,947
Bills endorsed to suppliers with recourse	**5**	123
Bills discounted to banks with recourse	**301**	294
	7,297	10,061

The carrying values of the above 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 41 and 36 respectively, are not derecognised in the consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted to banks 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.

33. LOAN TO A JOINT VENTURE

As at 31 March 2015, the loan to a joint venture is unsecured, carries interest at 6.5% per annum and repayable on 21 November 2015.

As at 31 March 2014, the loan to a joint venture was unsecured, carried interest at 7.0% per annum and fully repaid during the year.

34. 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:

	2015 HK$ million	2014 HK$ million
Within 30 days	**31**	35
31 to 60 days	**7**	16
61 to 90 days	**–**	72
	38	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.

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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 3.25% per annum (2014: 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 4.00% per annum (2014: 0.35% to 3.50% per annum).

Included in bank balances and cash as at 31 March 2015 are restricted bank deposits of HK$100 million (2014: HK$105 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:

	2015 HK$ million	2014 HK$ million
Within 30 days	**2,325**	2,586
31 to 60 days	**897**	610
61 to 90 days	**546**	781
91 days or over	**323**	705
Trade payables under endorsed bills	**5**	123
Trade payables	**4,096**	4,805
Accruals and other payables	**1,046**	866
Accrued staff costs	**803**	574
Accrued selling and distribution expenses	**400**	376
Deposits received for sales of goods	**979**	1,042
Deposits received for sales of properties	**308**	258
Membership fee received	**237**	224
Other deposits received	**407**	428
Payables for purchase of property, plant and equipment	**91**	46
Sales rebate payable	**766**	552
VAT payable	**21**	70
	9,154	9,241

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:

	2015 HK$ million	2014 HK$ million
Within 30 days	**1,180**	855
31 to 60 days	**952**	955
61 to 90 days	**901**	871
91 days or over	**1,802**	1,413
	4,835	4,094

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

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38. OBLIGATIONS ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING INTERESTS

In September 2007, RGB, a wholly-owned subsidiary of the Company, entered into sale and purchase agreements and related supplementary agreements with senior management and staffs (the "Employees") of SSDT, a subsidiary of the Company, for the disposal of, in aggregate, 12% of the equity interests in SSDT to the Employees. 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 and before the spin-off of the digital set-top boxes business.

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. Based on the terms of the agreements, RGB also wrote a put option to the Purchasers that if the digital set-top boxes business are not listed on any stock exchange, the Purchaser can require RGB to buy back their shares at the original consideration paid plus 10% guaranteed dividends per annum.

As at 31 March 2014, liabilities of HK$242 million and HK$243 million have been recognised in the consolidated statement of financial position in relation to the put options written to the Employees and Purchasers respectively.

As mentioned in note 22, in the current year, RGB disposed of its entire equity interests in SSDT to China Resources Jinhua, whose shares are listed on the Shenzhen Stock Exchange, in exchange for the controlling interest in China Resources Jinhua pursuant to the terms of the Framework Agreement. Accordingly, the obligations arising from put options written to non-controlling interests of HK$538 million were released and the put options written to non-controlling interests of HK$66 million were lapsed as a consequence.

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

	2015 HK$ million	2014 HK$ million
Balance at 1 April	**485**	410
Imputed interest expenses for the year	**13**	26
Changes in estimated redemption price regarding put options to the Employees recognised in equity	**33**	49
Release of obligations arising from put options written to non-controlling interests	**(538)**	–
Exchange realignments	**7**	–
Balance at 31 March	**–**	485

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39. PROVISION FOR WARRANTY

	2015 HK$ million	2014 HK$ million
Balance at 1 April	**199**	173
Additional provision in respect of current year's sales	**225**	189
Unused amount reversed	**(6)**	–
Utilised	**(186)**	(162)
Exchange realignments	**(1)**	(1)
Balance at 31 March	**231**	199
Analysed for reporting purposes as:		
Current liabilities	**166**	149
Non-current liabilities	**65**	50
	231	199

The Group provides one to five 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.

40. 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:

	2015 HK$ million	2014 HK$ million
Within 30 days	**3**	12
31 to 60 days	**2**	5
	5	17

41. BANK BORROWINGS

	2015 HK$ million	2014 HK$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**301**	294
Borrowings associated with foreign currency forward contracts *(note 30(1))*	**–**	829
Other bank borrowings	**2,285**	4,580
	2,586	5,703
Secured	**1,316**	2,060
Unsecured	**1,270**	3,643
	2,586	5,703
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	**578**	552
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**696**	4,604
More than two years but not more than five years	**328**	250
More than five years	**984**	297
	2,008	5,151
	2,586	5,703
Less: Amounts due within one year shown under current liabilities	**(1,274)**	(5,156)
Amounts shown under non-current liabilities	**1,312**	547

Included in the balance as at 31 March 2015 are fixed-rate bank borrowings of HK$567 million (2014: HK$4,846 million) which carry interest at rates ranging from 2.50% to 4.41% per annum (2014: 1.87% to 6.15% per annum).

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 2.17% to 6.77% per annum (2014: 0.50% to 6.55% per annum).

As at the end of the reporting period, the Group had foreign currencies denominated bank borrowings of US$168 million (equivalent to HK$1,306 million) (2014: US$520 million (equivalent to HK$4,034 million) and EUR78 million (equivalent to HK$829 million)). All other bank borrowings are denominated in the respective functional currencies of the group entities.

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42. DEFERRED INCOME

	2015 HK$ million	2014 HK$ million
Deferred income	**707**	742
Less: Amount to be recognised as income within one year included in current liabilities	**(185)**	(188)
Amount to be recognised as income after one year	**522**	554

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$322 million (2014: HK$284 million).

43. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2013, 31 March 2014 and 31 March 2015	**10,000,000,000**	1,000
Issued and fully paid:		
At 1 April 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
Issue of shares upon exercise of share options	**1,139,000**	–
Issue of shares under scrip dividend scheme	**15,814,137**	2
At 31 March 2015	**2,847,554,532**	285

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 2015 and 31 March 2014 are set out in note 45.

44. 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 endorsed to the Group's suppliers or discounted to banks 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 counterparties, 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 41, 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.

	2015		2014	
	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	**5**	**301**	123	294
Carrying amount of associated liabilities	**(5)**	**(301)**	(123)	(294)
Net position	**–**	**–**	–	–

In addition to the above, as at 31 March 2015, the Group has derecognised these bills receivable endorsed to suppliers or discounted to banks before their maturity dates amounting to HK$6 million (2014: HK$68 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 obligations, taking into account the high credit quality of the issuing counterparties and the past settlement history of those issuing counterparties.

As at 31 March 2015, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to the suppliers and the financial liabilities associated with discounted bills in respect of the endorsed bills, should the issuing counterparties fail to settle the bills upon maturity, amounted to HK$6 million (2014: HK$68 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.

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45. 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 96,070,500 (2014: 93,409,500) representing approximately 3.37% (2014: 3.30%) of the issued share capital of the Company as at the end of the reporting period.

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45. SHARE OPTIONS (Continued)

For the year ended 31 March 2015

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme during the year ended 31 March 2015:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2014	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2015
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	365,500	–	(500)	–	**365,000**
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	638,500	–	(112,500)	–	**526,000**
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	882,000	–	(213,500)	–	**668,500**
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	2,021,500	–	(312,500)	–	**1,709,000**
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 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	9,978,000	–	(136,000)	–	**9,842,000**
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	10,000,000	–	(244,000)	–	**9,756,000**
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	10,000,000	–	–	–	**10,000,000**
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	**1,000,000**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

45. SHARE OPTIONS (Continued)

For the year ended 31 March 2015 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2014	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2015
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	(120,000)	–	**–**
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	120,000	–	–	–	**120,000**
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	60,000	–	–	–	**60,000**
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**

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For the year ended 31 March 2015

45. SHARE OPTIONS (Continued)

For the year ended 31 March 2015 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2014	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2015
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**
29 July 2013	3.990	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**

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For the year ended 31 March 2015

45. SHARE OPTIONS (Continued)

For the year ended 31 March 2015 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2014	Granted during the year *(Note a)*	Exercised during the year *(Note b)*	Lapsed during the year	Outstanding at 31 March 2015
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**
24 April 2014	4,022	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	–	266,400	–	–	**266,400**
		24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	–	266,400	–	–	**266,400**
		24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	–	267,200	–	–	**267,200**
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	–	750,000	–	–	**750,000**
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	–	750,000	–	–	**750,000**
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	–	750,000	–	–	**750,000**
		9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	–	750,000	–	–	**750,000**
				93,409,500	3,800,000	(1,139,000)	–	**96,070,500**

Notes:

(a) 3,800,000 share options were granted under 2008 Share Option Scheme during the year ended 31 March 2015.

(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 2015 was HK$4.903.

45. SHARE OPTIONS (Continued)

For 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 c)*	Exercised during the year *(Note d)*	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	–	(39,000)	–	365,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	738,500	–	(100,000)	–	638,500
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	1,164,500	–	(282,500)	–	882,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	2,834,000	–	(812,500)	–	2,021,500
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 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	–	(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
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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

45. 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 c)	Exercised during the year (Note d)	Lapsed during the year	Outstanding at 31 March 2014
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	120,000	–	–	–	120,000
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	60,000	–	–	–	60,000
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

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For the year ended 31 March 2015

45. 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 c)*	Exercised during the year *(Note d)*	Lapsed during the year	Outstanding at 31 March 2014
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
29 July 2013	3.990	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

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For the year ended 31 March 2015

45. 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 c)*	Exercised during the year *(Note d)*	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:

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

(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 2014 was HK$4.79.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

46. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payment* to account for its share options (Note (i)) and share awards (Note (ii)). An amount of share-based payment expenses of HK$29 million (2014: HK$36 million) for share options and HK$37 million (2014: nil) for share awards has been recognised in the profit or loss in the current year.

Note (i): Share options

The particulars of the share option schemes of the Company, and the details of and the movements in share options during the two years ended 31 March 2015 are disclosed in note 45. A summary of which is presented below:

	2015		2014	
	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	**93,409,500**	**4.298**	70,165,500	4.271
Granted during the year	**3,800,000**	**3.868**	24,500,000	4.178
Exercised during the year	**(1,139,000)**	**2.040**	(1,256,000)	0.445
Outstanding at the end of the year	**96,070,500**	**4.308**	93,409,500	4.298
Exercisable at the end of the year	**49,350,500**		31,789,500	

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.903 (2014: HK$4.788). The share options outstanding as at 31 March 2015 have a weighted average remaining contractual life of 4 years (2014: 4.5 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2014: HK$0.374 to HK$6.580).

Share options expenses charge to profit or loss are based on valuation determined using the Black-Scholes Model. 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	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
24 April 2014	266,400	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	1.1763	313,366	4.022	4.022	53.1130	4.9407	1.7931	10.73
24 April 2014	266,400	24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	1.1757	313,206	4.022	4.022	53.1130	4.9407	1.7931	10.73
24 April 2014	267,200	24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	1.1723	313,239	4.022	4.022	53.1130	4.9407	1.7931	10.73
	800,000				939,811						
9 July 2014	750,000	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	1.2078	905,850	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	1.2076	905,700	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	1.2059	904,425	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 August 2018	1 September 2018 to 30 September 2018	1.2023	901,725	3.87	3.87	50.3700	4.0217	1.7359	10.73
	3,000,000				3,617,700						
	3,800,000				4,557,511						

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For the year ended 31 March 2015

46. 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$29 million (2014: HK$36 million) for the year in relation to share options granted by the Company.

Note (ii): Share awards

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest.

During the year, a total of 27,836,000 shares in the Company have been awarded to certain directors and employees of the Company at no consideration.

Vesting dates	Outstanding at 1 April 2014	Movement during the year Awarded	Allotted	**Outstanding at 31 March 2015**
31 August 2015	–	9,266,000	–	**9,266,000**
31 August 2016	–	9,266,000	–	**9,266,000**
31 August 2017	–	9,304,000	–	**9,304,000**
	–	27,836,000	–	**27,836,000**
Weighted average fair value	–	HK$3.43	–	**HK$3.43**

During the year ended 31 March 2015, 18,416,000 shares of the Company were acquired at a total cost of HK$76 million for this scheme which recognised and accumulated in equity under the heading of "shares held for share award scheme".

The total fair value of the awarded shares determined at the date of grant was HK$96 million, of which HK$37 million (2014: nil) was recognised as an expense for the year.

The fair value of awarded shares are based on valuation determined using the fair value of the underlying share price with expected dividend saved during the life of scheme and adjusted the number of shares granted with the expected unvested shares.

The following assumptions were used to calculate the fair value of awarded shares:

Closing share price at date of grant	HK$3.81
Expected life of awarded shares	1 to 3 years
Expected dividend yield	5.12% to 5.74%
Risk free rate	2.07%
Fair value per awarded share	HK$3.2374 to HK$3.6214

47. PLEDGE OF ASSETS

At 31 March 2015, 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 (2014: HK$71 million) and HK$21 million (2014: HK$21 million) respectively; and

(b) pledged bank deposits of HK$423 million (2014: HK$1,572 million).

48. 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:

	2015 HK$ million	2014 HK$ million
Within one year	**77**	39
In the second to fifth year inclusive	**66**	14
Over five years	**15**	2
	158	55

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

The Group as lessor

During the year, the Group earned rental income of HK$249 million (2014: HK$122 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK$ million	2014 HK$ million
Within one year	**198**	175
In the second to fifth year inclusive	**411**	404
Over five years	**67**	45
	676	624

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49. CAPITAL COMMITMENTS

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

	2015 **HK$ million**	2014 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**13**	117
Factory buildings and office premises under development	**842**	513
Investment in an available-for-sale investment	**16**	560
	871	1,190
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**47**	–
Factory buildings and office premises under development	**449**	641
Investments in unlisted equity securities	**605**	–
	1,101	641

50. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2014 final dividend and 2015 interim dividend of HK$24 million (2014: 2013 final dividend of HK$5 million) and HK$41 million (2014: 2014 interim dividend of HK$103 million) respectively. Details are set out in note 17.

51. 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.

52. 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 $1,250 per month before June 2014 or $1,500 per month on or after June 2014. 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:

	2015 **HK$ million**	2014 HK$ million
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**285**	253
Total retirement benefit scheme contributions	**286**	254

At both 31 March 2015 and 31 March 2014, there were no forfeited contributions available to offset future employers' contributions to the schemes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

53. RELATED PARTY TRANSACTIONS

Trading transactions

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

Joint ventures

	2015 **HK$ million**	2014 HK$ million
Advertising and promotional expenses paid	**16**	2
Sales of finished goods	**–**	22
Purchases of finished goods	**–**	43
Purchases of raw materials	**21**	28

Associates

	2015 **HK$ million**	2014 HK$ million
Sales of finished goods	**460**	346
Purchases of raw materials	**71**	101

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:

	2015 **HK$ million**	2014 HK$ million
Short-term benefits	**105**	84
Post-employment benefits	**1**	1
Share-based payments	**31**	22
	137	107

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.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2015 and 31 March 2014 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) 2015	Effective interest held by the Company (Note a) 2014	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 consumer of electronic products and property holding
創維電子(內蒙古)有限公司	PRC *(Note c)*	Registered capital US$10,000,000	**100%**	100%	Manufacture and sale of consumer electronic products

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

54. 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*) 2015	2014	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
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
Skyworth Overseas Limited 創維海外有限公司	Hong Kong	Ordinary shares HK$2	**100%**	100%	Trading of consumer electronic products
創維數字股份有限公司 Skyworth Digital Co., Ltd	PRC (*Note f*)	Registered capital RMB499,251,600	**58.54%**	–	Investment holding
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	**58.54%**	70%	Manufacture and sale of consumer electronic products and research and products development

54. 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*) 2015	2014	Principal activities
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
Skyworth Electronic Appliance Limited 創維電器有限公司	Hong Kong	Ordinary shares HK$116,392,500	**75%**	75%	Investment holding
南京創維家用電器有限公司	PRC (*Note d*)	Registered capital US$15,000,000	**75%**	75%	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%**	100%	Financing
創維創業投資有限公司	PRC (*Note d*)	Registered capital RMB100,000,000	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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.*

(f) *The subsidiary is a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange.*

None of the subsidiaries had issued any debt securities outstanding at 31 March 2015 and 31 March 2014 or at any time during the year.

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	
		2015	2014	**2015**	2014	**2015**	2014
				HK$ million	HK$ million	**HK$ million**	HK$ million
Skyworth Digital	PRC	**41.46%**	–	**100**	–	**1,064**	–
SSDT	PRC	**–**	30%	**40**	125	**–**	654
Individually immaterial subsidiaries with non-controlling interest				**95**	80	**400**	357
Adjustment arising from obligation arising from put options written to non-controlling interest *(note 38)*				**(13)**	(26)	**–**	(485)
				222	179	**1,464**	526

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

For the year ended 31 March 2015

Skyworth Digital

	2015 HK$ million
Current assets	4,470
Non-current assets	435
Current liabilities	(2,038)
Non-current liabilities	(272)
	2,595
Equity attributable to owners of Skyworth Digital	2,566
Non-controlling interests	29
	2,595

	Upon acquisition to 31.3.2015 HK$ million
Revenue	2,174
Expenses	(1,934)
Profit for the year	240
Profit attributable to owners of Skyworth Digital	244
Loss attributable to the non-controlling interests	(4)
Profit for the year	240
Total comprehensive income attributable to Skyworth Digital	238
Total comprehensive expense attributable to the non-controlling interests	(4)
Total comprehensive income for the year	234
Net cash inflow from operating activities	548
Net cash outflow from investing activities	(139)
Net cash outflow from financing activities	(12)
Net cash inflow	397

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

For the year ended 31 March 2014

SSDT

	2014 HK$ million
Current assets	3,891
Non-current assets	300
Current liabilities	(1,895)
Non-current liabilities	(83)
	2,213
Equity attributable to owners of SSDT	2,179
Non-controlling interests	34
	2,213
Revenue	4,257
Expenses	(3,840)
Profit for the year	417
Profit attributable to owners of SSDT	415
Profit attributable to the non-controlling interests	2
Profit for the year	417
Total comprehensive income attributable to owners of SSDT	471
Total comprehensive income attributable to the non-controlling interests	2
Total comprehensive income for the year	473
Net cash inflow from operating activities	158
Net cash outflow from investing activities	(54)
Net cash outflow from financing activities	(9)
Net cash inflow	95

Summarised Statement of Financial Position of the Company

	2015 HK$ million	2014 HK$ million
Investments in subsidiaries	**1,450**	1,450
Amounts due from subsidiaries	**4,882**	4,273
Other current assets	**35**	4
Amounts due to subsidiaries	**(1,563)**	(906)
	4,804	4,821
Share capital	**285**	283
Share premium	**2,567**	2,501
Reserves	**1,952**	2,037
	4,804	4,821

Financial Summary

RESULTS

	Year ended 31 March				
	2015	2014	2013	2012	2011
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	40,135	39,480	37,824	28,137	24,339
Cost of sales	(32,112)	(31,851)	(30,418)	(22,181)	(19,676)
Gross profit	8,023	7,629	7,406	5,956	4,663
Other income	1,103	973	651	485	390
Other gains and losses	25	(149)	(46)	(41)	101
Gain on disposal of land and other associated assets	1,755	–	–	–	–
Selling and distribution expenses	(4,835)	(4,925)	(4,554)	(3,771)	(2,854)
General and administrative expenses	(1,736)	(1,645)	(1,388)	(906)	(696)
Finance costs	(161)	(163)	(133)	(177)	(139)
Share of results of associates	4	1	3	–	–
Share of results of joint ventures	(2)	(21)	(13)	30	29
Profit before taxation	4,176	1,700	1,926	1,576	1,494
Income tax expense	(826)	(267)	(332)	(308)	(213)
Profit for the year	3,350	1,433	1,594	1,268	1,281
Attributable to:					
Owners of the Company	3,128	1,254	1,501	1,252	1,174
Non-controlling interests	222	179	93	16	107
	3,350	1,433	1,594	1,268	1,281

ASSETS AND LIABILITIES

	At 31 March				
	2015	2014	2013	2012	2011
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	33,322	32,144	29,063	22,224	18,675
Total consolidated liabilities	(18,119)	(20,796)	(18,827)	(13,556)	(11,426)
Net assets	15,203	11,348	10,236	8,668	7,249
Attributable to:					
Owners of the Company	13,739	10,822	9,969	8,469	7,074
Non-controlling interests	1,464	526	267	199	175
	15,203	11,348	10,236	8,668	7,249

Financial Review

For the year ended 31 March | Amounts expressed in HK$ millions (except for share data)

	2015	2014	2013	2012	2011
OPERATING RESULTS					
Turnover	40,135	39,480	37,824	28,137	24,339
Operating profit (EBIT)	4,324	1,837	2,036	1,732	1,615
Profit attributable to owners of the Company	3,128	1,254	1,501	1,252	1,174
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	110.71	44.64	54.88	47.52	45.90
Dividend per share	24.50	15.00	18.00	15.50	14.00
Dividend payout ratio	39.2%#	33.6%	32.8%	32.6%	30.5%
KEY STATISTICS					
Equity attributable to owners of the Company	13,739	10,822	9,969	8,469	7,074
Working capital	8,992	6,679	6,955	6,819	6,012
Cash position*	3,740	4,595	2,949	3,018	3,118
Bank borrowings	2,586	5,703	5,806	4,283	4,355
Bills receivable	7,297	10,061	9,773	9,118	7,251
Trade receivables	5,258	4,347	3,843	2,505	2,051
Inventories	4,342	4,188	5,109	3,151	2,657
Depreciation and amortisation	460	406	311	237	266
KEY RATIOS					
Return on equity holders of the Company (ROE) (%)	22.8	11.6	15.1	14.8	16.6
Return on total assets (ROA) (%)	9.4	3.9	5.2	5.6	6.3
Debt to equity (%)	17.0	50.3	56.7	50.6	61.6
Net debt to equity**	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	1.6	1.3	1.4	1.6	1.6
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	120	128	120	129	103
Inventories turnover period (days)***	49	54	50	48	55
Gross profit margin (%)	20.0	19.3	19.6	21.2	19.2
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	11.9	5.7	6.2	7.0	7.7
Earnings before interest and taxation (EBIT) margin (%)	10.8	4.7	5.4	6.2	6.7
Profits margin (%)	8.3	3.6	4.2	4.5	4.8

* *Cash position refers to bank balances and cash 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*

\# *Excluding one off gain and including special dividend of HK4.0 cents*

Investor Relations

CALENDAR OF MAJOR INVESTOR RELATIONS ACTIVITIES

April 2014 – March 2015

Date	Events
May 2014	• Macquarie Greater China Conference, Hong Kong • 19th CLSA China Forum at Beijing, China • J.P. Morgan's Asia Rising Dragons Forum, Hong Kong • BNP Paribas 5th Asia Pacific TMT Conference, Hong Kong
June 2014	2013/14 Annual Results Announcement • Analysts Presentation, webcasting and conference calls • Press Conference • Post-result Hong Kong roadshow arranged by Macquarie and Nomura
July 2014	• Post Annual Results Singapore roadshow arranged by JP Morgan • Post Annual Results Video Conferencing with Japan arranged by Daiwa Capital Markets HK • Post Annual Results UK & EU roadshow arranged by CIMB
August 2014	• 2013/14 Annual General Meeting – Press Briefing
September 2014	• RHB OSK Hong Kong Corporate Day, Hong Kong • Jefferies Great China TMT Summit & Tour Fall 2014, Hong Kong • Credit Suisse 15th Asian Technology Conference 2014, Taipei Taiwan
November 2014	2014/15 Interim Results Announcement • Analysts presentation, live webcasting • Press conference • Post Interim Results Hong Kong roadshow arranged by Credit Suisse
December 2014	• Nomura Investment Forum 2014, Tokyo Japan • SG JI 2014 HK Conference, Hong Kong
January 2015	• CES (Consumer Electronics Show) Nomura Conference, Las Vegas USA • Post Interim Results US Roadshow arranged by JP Morgan • J.P. Morgan's China SMID CAPs 1x1 Forum, Hong Kong
March 2015	• Hong Kong Non-deal Roadshow arranged by CICC • Shenzhen Non-deal Roadshow arranged by CICC • Credit Suisse AIC 2015, Hong Kong

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Lin Wei Ping *(Executive Chairperson)*

Mr. Yang Dongwen *(Chief Executive Officer)*

Mr. Lu Rongchang

Mr. Shi Chi

Ms. Chan Wai Kay, Katherine

Independent Non-executive Directors

Mr. Li Weibin

Mr. Wei Wei

Mr. Cheong Ying Chew, Henry *(appointed with effect from 1 January 2015)*

Mr. So Hon Cheung, Stephen *(resigned with effect from 1 January 2015)*

MEMBERS OF COMMITTEES

Audit Committee

Mr. Cheong Ying Chew, Henry *(appointed as a member with effect from 1 January 2015 and the chairperson with effect from 17 June 2015)*

Mr. Li Weibin

Mr. Wei Wei

Mr. So Hon Cheung, Stephen *(resigned as a member with effect from 1 January 2015)*

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. Wei Wei

Mr. Cheong Ying Chew, Henry *(appointed as a member with effect from 1 January 2015)*

Ms. Lin Wei Ping

Mr. So Hon Cheung, Stephen *(resigned as a member with effect from 1 January 2015)*

Nomination Committee

Mr. Wei Wei *(Chairperson)*

Mr. Li Weibin

Mr. Cheong Ying Chew, Henry *(appointed as a member with effect from 1 January 2015)*

Ms. Chan Wai Kay, Katherine

Mr. So Hon Cheung, Stephen *(resigned as a member with effect from 1 January 2015)*

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

Corporate Information

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Michael Li & Co.

Reed Smith Richards Butler

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 2014/15

Results Announcement Date

Annual Results: 19 June 2015

Important Details for Final Dividend

Dividend Per Share

HK11.0 cents, with scrip option

Closing Period of the Register of Members

From 31 August 2015 to 2 September 2015, both dates inclusive

Scrip Price Fixing Period

27 August 2015 to 2 September 2015, both dates inclusive

Record Date

2 September 2015

Dividend Payment Date

Around 20 October 2015

COMPANY WEBSITE

http://www.skyworth.com

Skyworth Digital Holdings Limited

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