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SKYWORTH DIGITAL HOLDINGS LIMITED

（創維數碼控股有限公司*）

(incorporated in Bermuda with limited liability)

(Stock Code: 0751)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2012

SKYWORTH DIGITAL HOLDINGS LIMITED is an investment holding company with subsidiaries principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, and property holding.

Highlights of results

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

- Turnover reached HK$28,137 million (88.1% from the mainland China market), an increase of 15.6% from that of the financial year ended 31 March 2011 (the "Previous Year").
- Sales of TV products and digital set-top boxes accounted for 84.1% and 12.0% of the Group's total turnover respectively.
- Gross profit achieved HK$5,956 million (HK$2,771 million in the first half year), increased by 27.7%; and gross profit margin was 21.2% (21.2% in the first half year), increased by 2.0 percentage points compared with that of Previous Year.
- Profit for the year was HK$1,268 million, slightly decreased by 1.0% from that of Previous Year.
- Profit for the year attributable to the Owners of the Company increased by 6.6%, from HK$1,174 million of the Previous Year to HK$1,252 million.
- The Board has proposed a final dividend of HK10.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 32.6% for the whole year.

The board of directors (the "Board") of Skyworth Digital Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012 (the "Reporting Year") together with the comparative figures for the Previous Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

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

	NOTES	2012	2011
Turnover	2	**28,137**	24,339
Cost of sales		**(22,181)**	(19,676)
Gross profit		**5,956**	4,663
Other income		**485**	390
Other gains and losses	4	**(41)**	101
Selling and distribution expenses		**(3,771)**	(2,854)
General and administrative expenses		**(906)**	(696)
Finance costs		**(177)**	(139)
Share of results of jointly controlled entities		**30**	29
Profit before taxation		**1,576**	1,494
Income tax expense	5	**(308)**	(213)
Profit for the year	6	**1,268**	1,281
Other comprehensive income (expense)			
Exchange differences arising on translation		**289**	254
Fair value (loss) gain on available-for-sale financial assets		**(181)**	7
Reclassification adjustment upon impairment of available-for-sale financial assets		**170**	-
Fair value loss on cash flow hedges		**(6)**	(19)
Loss on cash flow hedges reclassified to profit and loss		**5**	-
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(12)**	(13)
Other comprehensive income for the year		**265**	229
Total comprehensive income for the year		**1,533**	1,510
Profit for the year attributable to:			
Owners of the Company		**1,252**	1,174
Non-controlling interests		**16**	107
		1,268	1,281
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,499**	1,390
Non-controlling interests		**34**	120
		1,533	1,510
Earnings per share (expressed in HK cents)			
Basic	8	**47.52**	45.90
Diluted	8	**46.28**	44.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 31 MARCH 2012

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

NOTES:

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments - continued

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

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

2. TURNOVER

Turnover represents the aggregate value of goods sold after goods returns, trade discounts and sales related taxes, and rental income from leasing of properties for the year. An analysis of the Group's turnover for the year is as follows:

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

3. SEGMENT INFORMATION

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

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

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

Segment information about these businesses is presented below.

3. SEGMENT INFORMATION - continued

Segment revenues and results

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

For the year ended 31 March 2012

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover								
Segment revenue from external customers	**21,920**	**1,728**	**3,365**	**285**	**757**	**82**	**-**	**28,137**
Inter-segment revenue	**370**	**3**	**-**	**620**	**327**	**-**	**(1,320)**	**-**
Total segment revenue	**22,290**	**1,731**	**3,365**	**905**	**1,084**	**82**	**(1,320)**	**28,137**
Results								
Segment results	**1,510**	**(11)**	**347**	**123**	**(3)**	**57**	**-**	**2,023**
Interest income								**67**
Unallocated corporate expenses less income								**(367)**
Finance costs								**(177)**
Share of results of jointly controlled entities								**30**
Consolidated profit before taxation of the Group								**1,576**

For the year ended 31 March 2011

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover								
Segment revenue from external customers	19,069	1,094	3,696	111	294	75	-	24,339
Inter-segment revenue	215	49	-	707	105	-	(1,076)	-
Total segment revenue	19,284	1,143	3,696	818	399	75	(1,076)	24,339
Results								
Segment results	1,291	23	371	7	(13)	45	-	1,724
Interest income								45
Unallocated corporate expenses less income								(165)
Finance costs								(139)
Share of results of jointly controlled entities								29
Consolidated profit before taxation of the Group								1,494

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

3. SEGMENT INFORMATION - continued

Segment assets and liabilities

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

As at 31 March 2012

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Assets								
Segment assets	**13,526**	**233**	**2,559**	**283**	**810**	**150**	**-**	**17,561**
Interests in associates								**6**
Interests in joint controlled entities								**218**
Unallocated corporate assets								**4,439**
Total consolidated assets								**22,224**
Liabilities								
Segment liabilities	**5,730**	**83**	**1,544**	**193**	**503**	**52**	**-**	**8,105**
Unallocated corporate liabilities								**5,451**
Total consolidated liabilities								**13,556**

As at 31 March 2011

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Assets								
Segment assets	10,775	307	2,359	190	374	82	-	14,087
Interests in joint controlled entities								195
Unallocated corporate assets								4,393
Total consolidated assets								18,675
Liabilities								
Segment liabilities	3,853	317	1,609	171	175	41	-	6,166
Unallocated corporate liabilities								5,260
Total consolidated liabilities								11,426

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

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

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

3. SEGMENT INFORMATION - continued

Other segment information

For the year ended 31 March 2012

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Included in measure of segment results or segment assets:								
Capital expenditure on								
- Property, plant and equipment	**419**	**3**	**45**	**114**	**95**	**44**	**-**	**720**
- Prepaid lease payments for land	**31**	**-**	**8**	**-**	**-**	**80**	**-**	**119**
Depreciation of								
- Property, plant and equipment	**150**	**13**	**26**	**16**	**14**	**9**	**-**	**228**
Impairment loss on trade receivables	**3**	**2**	**22**	**-**	**1**	**-**	**-**	**28**
Release of prepaid lease payments on land use rights	**5**	**-**	**1**	**-**	**-**	**3**	**-**	**9**
Write-down (write-back) of inventories	**10**	**(11)**	**4**	**(1)**	**5**	**-**	**-**	**7**

For the year ended 31 March 2011

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Included in measure of segment results or segment assets:								
Capital expenditure on								
- Property, plant and equipment	201	4	43	12	84	131	-	475
- Prepaid lease payments for land	58	-	-	-	-	-	-	58
Depreciation of								
- Property, plant and equipment	183	17	17	7	19	9	-	252
- Investment properties	-	-	-	-	-	7	-	7
Impairment loss on trade receivables	3	1	20	-	1	-	-	25
Release of prepaid lease payments on land use rights	4	-	2	-	-	1	-	7
(Write-back) write-down of inventories	(18)	(19)	9	2	(1)	-	-	(27)

3. SEGMENT INFORMATION - continued

Geographical information

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

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

	Revenue from external customers		**Non-current assets (Note)**	
	2012	2011	**2012**	2011
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**24,790**	22,180	**2,723**	2,074
Asia region (other than PRC)	**1,221**	663	**29**	3
Europe	**808**	588	**-**	1
Other regions	**1,318**	908	**3**	6
	28,137	24,339	**2,755**	2,084

Note:

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

4. OTHER GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

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

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

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

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries which were enjoying preferential tax rate of 15%, the tax rate is increased from 15% over 5 years to 25% based on the relevant transitional provision. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Certain subsidiaries of the Company continue to enjoy tax holidays and concessions, such as “2 plus 3 tax holiday” (two years’ exemption followed by three years of half deduction) granted to them under the tax law and implementation rules. Such holidays and concessions are expired on 31 December 2011.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to Enterprise Income Tax pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK$35 million (2011: HK$25 million) in respect of the additional undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the year. HK$3 million of the previously provided deferred tax had been reversed and charged as current tax upon distributions by its subsidiaries during the year ended 31 March 2011.

5. INCOME TAX EXPENSE - continued

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

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

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

6. PROFIT FOR THE YEAR

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

7. DIVIDENDS

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

The final dividend of HK10.0 cents per share for the year ended 31 March 2012 is proposed by the directors of the Company on 27 June 2012. Such final dividend is satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2012.

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

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

8. EARNINGS PER SHARE

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

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

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales of TV products, LCD modules and other electronics products in the PRC are generally settled by payment on delivery or receipt of bills issued by banks with maturity dates ranging from 30 to 180 days. Sales to certain retailers in the PRC are made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

For sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

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

The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period:

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

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

Included in the Group’s trade receivable balance are debtors with aggregate carrying amount of HK$1,001 million (2011: HK$872 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Of the trade receivables, an amount of HK$54 million (2011: HK$41 million) has credit period of over one year. During the year, receivables with principal amount of HK$22 million (2011: HK$35 million) have been recorded at initial recognition at its present value of HK$20 million (2011: HK$31 million). The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is ranging from 5.4% to 6.65% per annum (2011: 5.4% to 6.1% per annum).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued

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

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

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

Allowances on trade receivables are made based on estimated irrecoverable amounts by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. The directors considered that the Group has no significant concentration of credit risk of trade and other receivables, with exposure spread over a number of counterparties and customers.

Movement in the allowance for doubtful debts is as follows:

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

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$92 million (2011: HK$107 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

10. BILLS RECEIVABLE

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

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

The carrying values of bills endorsed to suppliers and bills discounted with recourse continue to be recognised as assets in the consolidated financial statements as the Group is still exposed to credit risk on these receivables as at end of the reporting period. Accordingly, the liabilities associated with such bills, mainly borrowings and payables, are not derecognised in the consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months within the end of the reporting period.

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

Movement in the allowance for doubtful debts is as follows:

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

11. TRADE AND OTHER PAYABLES

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

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

12. BILLS PAYABLE

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

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

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

13. PLEDGE OF ASSETS

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

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

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

In addition, there were bills receivable endorsed to suppliers and discounted with recourse of HK$1,049 million (2011: HK$306 million) and HK$369 million (2011: HK$693 million) respectively.

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

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

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

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

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

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

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

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

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

TV Products

Customer-orientation is our core business idea; as such, the Group have launched CooCaa LED E70 Health Fitness TV, "non-blink" 3D TV and "cloud" TV series that represented our "unique, healthy technology" product concept. During the Reporting Year, the Group introduced the E700S, E800A and E750A "Cloud Health" TV series that comprised with four health features and six health tests, providing our customer a brand new TV experience. For the Reporting Year, TV sales in mainland China market grew by15.3% and reached HK$22,029 million (Year 2011: HK$19,103 million). According to the TV market survey performed by All View Consulting Co., Ltd ("AVC"), Skyworth LCD TV (including LCD TV with cold cathode fluorescent lamp backlight ("CCFL") and LED LCD TV) ranked first in terms of cumulative sales volume, representing 16.7% of total market share, and ranked first and second in all TV in terms of cumulative sales volume and amount accounting for 15.2% and 13.8% of total market share, respectively, for twelve consecutive months ended 31 March 2012. AVCis a market research and marketing consulting company focusing on consumer electronic and home appliance industry, the establishment of which was initiated and advocated by China Video Industry Association in the PRC with data covering 439 major cities and 4,579 retail terminals in the mainland China.

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

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

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

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

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

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

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

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

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

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

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

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

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

Digital Set-top Boxes

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

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

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

LCD Modules

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

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

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

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

(b) Overseas Markets

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

TV Products

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

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

Digital Set-top Boxes

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

Increasing demand of digital set-top boxes is driven by new digital platforms and business expansion of digital TV operators in Asia, which significantly enhanced the turnover in the region. The sales amount of digital set-top boxes recorded a growth of 6.8 percentage points from 9.2% of the total turnover in previous year to 16.0%. Although the Eurozone debt crisis continued to deteriorate, the overall sales in Europe had recorded a growth of 46.2%, resulted from product diversification, well-built customer relationship and successful marketing tactic. In 2012, the digital set-top boxes business would keep on exploring overseas markets and in particular, it will seize the opportunity of digital conversion in India and Indonesia, as well as to actively exploit the market in Eastern Europe, Russia and Africa.

Geographical Distribution

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

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

Gross Profit Margin

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

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

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

(3) Selling and Distribution Expenses

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

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

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

(4) General and Administration Expenses

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

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

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

(5) Inventory Control

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

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

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

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

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

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

(6) Trade Receivables and Bills Receivable

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

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

(7) Trade Payables and Bills Payable

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

TREASURY POLICY

With investments mainly situated in mainland China, the Group's assets and liabilities are mainly denominated in Renminbi ("RMB"), and the remaining are denominated in Hong Kong dollars or United States ("US") dollars. During the Reporting Year, the Group required to carry out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group increased the utilizations of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Reporting Year, the Group had recognised HK$169 million (Year 2011: HK$97 million) net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to mild RMB fluctuations.

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

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, certain investment properties with net carrying value of HK$73 million was transferred from investment properties to property, plant and equipment in accordance with Hong Kong accounting standards. An addition of HK$182 million in construction projects were under way, including certain new production line projects and energy-saving facilities, the ongoing construction of logistic centres, and the new construction phases for Guangzhou and Shenzhen. These projects are positive influential to the productivity and providing tactics to complete orders on time. The Group had spent approximately HK$380 million on machinery in production line setups and other equipments; and has planned to commit HK$746 million on plant, logistic centres and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK$8 million in technological research and development through direct investments or available-for-sale investments in TV industries, to constitute supports for more integrated TV products development. To sustain further expansion and development of diversified businesses, HK$246 million was invested for establishment of new growth points including overseas sale offices, components manufacturing, and e-commerce platform, widening consumer choices of quality products.

CONTINGENT LIABILITIES

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

Certain patent disputes arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. The directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

HUMAN RESOURCES CAPITAL

At 31 March 2012, the Group had over 30,000 (Year 2011: 23,300) employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 42 branches and 199 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

SALES VOLUME TARGETS FOR THE NEW FINANCIAL YEAR

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2012 and up to the date of this report, the Company has complied with the code provisions in the Code, except for one major deviation described below.

Code provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") of an issuer should be separate and should not be performed by the same individual.

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

Effective from 15 February 2012, Mr. Zhang, has been re-designated from executive chairman and CEO to executive chairman, and Mr. Yang Dongwen ("Mr. Yang"), an executive director of the Company, has been re-designated from the president of Shenzhen Chuangwei-RGB Electronics Co., Ltd, a wholly owned subsidiary of the Company mainly engaged in design, manufacture and sale of television sets, to CEO of the Company.

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

APPOINTMENT OF AN EXECUTIVE DIRECTOR ("ED")

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

AUDIT COMMITTEE

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

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised to comply with the Code. The terms of reference of the Audit Committee are available on the Company's website through the link: http://investor.skyworth.com/index.asp.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 March 2012.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2012 as set out in this Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this Preliminary Announcement.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transaction by directors adopted by the Company throughout the year.

FINAL DIVIDEND

The Board has proposed a final dividend for the year ended 31 March 2012 of HK10.0 cents per ordinary share (2011: HK9 cents), totaling approximately HK$269 million (2011: HK$235 million) to shareholders whose names appear on the register of members of the Company at the close of business on 7 September 2012 (Friday). Shareholders may elect to receive final dividend in the form of new shares of the Company or cash or partly in shares and partly in cash.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 September 2012 (Monday) to 14 September 2012 (Friday) both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend payable on or around 19 October 2012, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 7 September 2012 (Friday).

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information required by paragraph 45 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions throughout the year.

For and on behalf of the Board
Skyworth Digital Holdings Limited
Zhang Xuebin
Executive Chairman

Hong Kong, 27 June 2012

As at the date of this announcement, the Board comprises Mr. Zhang Xuebin as executive chairman of the Board, Mr. Yang Dongwen as executive director and the chief executive officer, Ms. Lin Wei Ping, Mr. Lu Rongchang, and Mr. Leung Chi Ching, Frederick and Mr. Shi Chi as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine as independent non-executive directors.

** For identification purpose only*