SKYWORTH DIGITAL HOLDINGS LIMITED

（創維數碼控股有限公司*）

(incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2013

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 2013:

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

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 2013 (the "Reporting Year") together with the comparative figures for the Previous Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

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

	NOTES	**2013**	2012
Turnover	2	**37,824**	28,137
Cost of sales		**(30,418)**	(22,181)
Gross profit		**7,406**	5,956
Other income		**651**	485
Other gains and losses	4	**(46)**	(41)
Selling and distribution expenses		**(4,554)**	(3,771)
General and administrative expenses		**(1,388)**	(906)
Finance costs		**(133)**	(177)
Share of results of associates		**3**	-
Share of results of jointly controlled entities		**(13)**	30
Profit before taxation		**1,926**	1,576
Income tax expense	5	**(332)**	(308)
Profit for the year	6	**1,594**	1,268
Other comprehensive income (expense)			
Exchange differences arising on translation		**123**	289
Fair value loss on available-for-sale financial assets		**(7)**	(181)
Reclassification adjustment upon impairment of available-for-sale financial assets		**7**	170
Fair value loss on cash flow hedges		**-**	(6)
Loss on cash flow hedges reclassified to profit and loss		**10**	5
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(1)**	(12)
Other comprehensive income for the year		**132**	265
Total comprehensive income for the year		**1,726**	1,533
Profit for the year attributable to:			
Owners of the Company		**1,501**	1,252
Non-controlling interests		**93**	16
		1,594	1,268
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,633**	1,499
Non-controlling interests		**93**	34
		1,726	1,533
Earnings per share (expressed in HK cents)			
Basic	8	**54.88**	47.52
Diluted	8	**54.36**	46.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

Amounts expressed in millions of Hong Kong dollars

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 MARCH 2013

Amounts expressed in millions of Hong Kong dollars

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

NOTES:

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

In the current year, the Group has applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

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

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

The relevant disclosures have been made regarding the transfer of these bills receivables on the application of the amendments to HKFRS 7.

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

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

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

Accounting policy on Transfers of Financial Assets

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

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair value measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilites[3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[4]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) - Int 21	Levies[4]

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

HKFRS 9 *Financial Instruments*

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

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

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

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

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

Key requirements of these five standards are described below.

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

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) - Int 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

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

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The directors anticipate that the application of HKFRS 10 will have no effect on the Group. However, the application of the remaining standards may have significant impact on amounts reported in the consolidated financial statements. The directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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.

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

HKFRS 13 ***Fair Value Measurement*** *– continued*

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

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

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit and loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit to loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

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:

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

3. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company). In addition, for "TV products", the information reported to the chief operating decision maker is further broken down into PRC market and overseas market.

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

1. TV products (PRC market) - design, manufacture and sale of televisions for The 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, sale and processing of LCD modules
5. White Appliances - design, manufacture, sale and processing of white appliances, including refrigerators, washing machines, tablet computers, etc (previously included as "other electronic products" in the annual report of the Group for the year ended 31 March 2012)
6. Property holding - leasing of property

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

3. SEGMENT INFORMATION - continued

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

During the year, segment of "other electronic products" in the annual report of the Group for the year ended 31 March 2012 had been separated and grouped into segment of "White appliances" and "Others" in accordance with the information reported to the chief operating decision maker. Comparative figures are adjusted to conform with changes in presentation in the current year.

Segment information about these businesses is presented below.

Segment revenues and results

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

For the year ended 31 March 2013

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

For the year ended 31 March 2012

	TV products (PRC market)	TV products (overseas market)	Digital set-top boxes	LCD modules	White appliances	Property holding	Others	Eliminations	Total
	HK$ million	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	3,270	285	469	82	383	-	28,137
Inter-segment revenue	370	3	-	620	257	-	70	(1,320)	-
Total segment revenue	22,290	1,731	3,270	905	726	82	453	(1,320)	28,137
Results									
Segment results	1,510	(11)	385	123	(11)	57	(30)	-	2,023
Interest income									67
Unallocated corporate expenses less income									(367)
Finance costs									(177)
Share of results of jointly controlled entities									30
Consolidated profit before taxation of the Group									1,576

3. SEGMENT INFORMATION - continued

Segment revenues and results - continued

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

Segment assets and liabilities

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

As at 31 March 2013

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

As at 31 March 2012

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	13,526	233	2,510	283	291	150	568	-	17,561
Interests in associates									6
Interests in joint controlled entities									218
Unallocated corporate assets									4,439
Total consolidated assets									22,224
Liabilities									
Segment liabilities	5,730	83	1,517	193	367	52	163	-	8,105
Unallocated corporate liabilities									5,451
Total consolidated liabilities									13,556

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

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

3. SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

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

Other segment information

For the year ended 31 March 2013

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

For the year ended 31 March 2012

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Included in measure of segment results or segment assets:									
Capital expenditure on									
- Property, plant and equipment	419	3	45	114	9	44	86	-	720
- Prepaid lease payments for land	31	-	8	-	-	80	-	-	119
Depreciation of property, plant and equipment	150	13	26	16	-	9	14	-	228
Loss on disposal of property, plant and equipment	-	6	-	-	-	-	-	-	6
Impairment loss on trade receivables	3	2	22	-	-	-	1	-	28
Release of prepaid lease payments on land use rights	5	-	1	-	-	3	-	-	9
Write-down (write-back) of inventories	10	(11)	4	(1)	1	-	4	-	7

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

Note:

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

4. OTHER GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

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

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

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

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries which were enjoying preferential tax rate of 15%, the tax rate is increased from 15% over 5 years to 25% based on the relevant transitional provision and the applicable tax rates of those subsidiaries are therefore 24% and 25% for the years ended 31 December 2011 and 2012 respectively.

Certain subsidiaries of the Company continue to enjoy tax holidays and concessions, such as "2 plus 3 tax holiday" (two years' exemption followed by three years of half deduction) granted to them under the tax law and implementation rules. Such holidays and concessions are expired on 31 December 2011.

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. No deferred tax charge (2012: Deferred tax charge of HK$35 million) in respect of the additional undistributed earnings of subsidiaries has been recognised in profit or loss for the year.

Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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:

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

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

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

6. PROFIT FOR THE YEAR

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

7. DIVIDENDS

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

The final dividend of HK11.0 cents per share, totaling approximately HK$308 million, for the year ended 31 March 2013 is proposed by the directors of the Company on 26 June 2013. Such final dividend is satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2013.

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

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:

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

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both 2013 and 2012.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales of TV products, LCD modules and white appliances in the PRC are generally settled by payment on delivery or bills issued by banks with maturity dates ranging from 90 to 180 days. Sales to certain retailers in the PRC are made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

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

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

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

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

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,623 million (2012: HK$1,001 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

Of the trade receivables, an amount of HK$19 million (2012: HK$54 million) has credit period of over one year. During the year, receivables with principal amount of HK$21 million (2012: HK$22 million) have been recorded at initial recognition at its present value of HK$19 million (2012: HK$20 million). The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is ranging from 5.4% to 6.65% per annum (2012: 5.4% to 6.65% per annum).

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

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

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

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

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

Movement in the allowance for doubtful debts is as follows:

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

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$130 million (2012: HK$92 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

10. BILLS RECEIVABLE

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

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

The carrying values of bills endorsed to suppliers and bills discounted to banks with recourse continue to be recognised as assets in the consolidated financial statements as the Group 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.

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, and other payables:

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

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

12. BILLS PAYABLE

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

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

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

13. PLEDGE OF ASSETS

At 31 March 2013, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$76 million (as at 31 March 2012: HK$79 million) and HK$50 million (as at 31 March 2012: HK$59 million) respectively; and

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

In addition, there were bills receivable discounted to banks with recourse of HK$369 million as at 31 March 2012. Such arrangement was expired and the financial liabilities on bills discounted with recourse were settled during the year.

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

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

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

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

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

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

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

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

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

TV Products

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

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in mainland China performed by All View Consulting Co., Ltd. (a market research and marketing consulting company focusing on consumer electronic and home appliance industry, the establishment of which was initiated and advocated by China Video Industry Association in China) the Group's market shares among local and foreign TV brands in mainland China for the 12 months ended 31 March 2013 are as follows:

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

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

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

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

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

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

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

- In the latest “2012 Chinese Customer Satisfaction Handbook”, the Group was granted “5-star enterprise for service quality” in the TV industry.

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

- In the “2nd Digital Home Experience Center Program Competition”, the Cloud TVs won “Best Experience Award”.

Digital Set-top Boxes

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

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

White Appliances

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

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

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

LCD Modules

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

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

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

(b) Overseas Markets

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

TV Products

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

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

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

- strengthen the development of the sales network in the overseas market, closely co-operate with the large scale chain stores and provide excellent after-sale services in order to maintain the product price competitiveness and gross profit margin;

- seise the demand for the digital conversion and introduce high-end products in the emerging markets; and

- creates synergy effects through successful implementation of strategic cooperation in order to achieve the Group's operational growth.

Digital Set-top Boxes

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

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

White Appliances

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

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

Geographical Distribution

During the Reporting Year, the Group's major overseas markets are in Asia, America and Europe, which contributed 88.0% (Year 2012: 88.0%) of the total overseas turnover. The turnover from Asia market rose 5.0 percentage points due to emerging markets expansion. Middle East, Africa, Australia and New Zealand markets accounted for 12.0% of the total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

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

Gross Profit Margin

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

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

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

(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 20.8% or HK$783 million from last year to HK$4,554 million. The ratio of S&D expense to turnover dropped 1.4 percentage points from 13.4% to 12.0%.

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

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

(4) General and Administration Expenses

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$482 million or 53.2% to HK$1,388 million. The G&A expenses to turnover ratio for the year have increased by 0.5 percentage points to 3.7%.

To maintain the ability to offer quality products with latest technology features, the Group had devoted more resources in R&D during the Reporting Year. This triggered an increase of HK$158 million or 85.4% in R&D expenses and increase of HK$21 million or 35.6% in technical consultancy fees. In addition, the staff salary and welfare increased by HK$142 million, or 59.7% due to the increase in number of employees and the salary and also the performance related bonus. Other expenses did not change significantly, compared with that of last year.

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

(5) Inventory Control

The net carrying value of the Group's inventories reached HK$5,109 million (Year 2012: HK$3,151 million) as at the Reporting Year ended, representing an increase of HK$1,958 million or 62.1% from that as at 31 March 2012.

Having higher market demand in the middle to high-ended TV products, the corresponding raw materials and supplements would be comparably higher that pushed up the carrying value of the overall inventory. In addition, realignment to raw material reserves was made for scale-up production, mitigating risks of future costs and output disruption. Furthermore, to meet the demand in Labour Day Holidays and to match up the launching of the new Cloud Health TV series also led to a higher inventory level.

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

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

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

At the end of the Reporting Year, the inventory turnover days were 50 days. (Year 2012: 48 days).

(6) Trade Receivables and Bills Receivable

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

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

(7) Trade Payables and Bills Payable

At the end of the Reporting Year, the Group's trade payables amounted to HK$5,688 million (Year 2012: HK$4,123 million), increased by HK$1,565 million or 38.0%; bills payable accounted for HK$1,699 million (Year 2012: HK$941 million) which increased by HK$758 million or 80.6%.

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

The Group secured certain assets against its trade facilities and loans granted from various banks. Such secured assets included HK$623 million pledged bank deposits and HK$25 million structured bank deposits, as well as certain prepaid lease payments on land use rights, leasehold land and properties in mainland China and Hong Kong with net book value of HK$126 million (Year 2012: HK$138 million) as at the end of the Reporting Year.

The Group adopted principle of prudence and remained financially sounded. At the end of the Reporting Year, total bank loans amounted to HK$5,806 million (Year 2012: HK$4,283 million) . Equity attributable to owners of the Company amounted to HK$9,969 million (Year 2012: HK$8,469 million); debt to equity ratio was 58.2% (Year 2012: 44.8%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY

Most of the Group's major investments and revenue stream are situated in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"), others included Hong Kong dollars or United States ("US") dollars. During the Reporting Year, the Group required to carry out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group increased the utilisations of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Reporting Year, the Group had recognised HK$9 million (Year 2012: HK$169 million) net foreign exchange gains associated with general operations with reference to mild RMB fluctuations.

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements. During the Reporting Year, the Group engaged into several arrangements with certain banks, such as target redemption forward contracts, performance swap contract and cross-currency interest rate swaps contract 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.

SIGNIFICANT INVESTMENTS AND ACQUISITION

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

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

Resource integration is one crucial strategy to target good qualities for product elements. Except the investment in LG Display (China) mentioned above, the Group invested HK$15 million in technological research and development through direct investments or available-for-sale investments in TV industries, to constitute supports for more integrated TV products development.

CONTINGENT LIABILITIES

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

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

HUMAN RESOURCES CAPITAL

At 31 March 2013, the Group had over 33,000 (Year 2012: 30,000) employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 41 branches and 204 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

OUTLOOK

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

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, 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 Stock Exchange.

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

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 2013.

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 2013 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 2013 of HK11.0 cents per ordinary share (2012: HK10 cents), totaling approximately HK$308 million (2012: HK$269 million) to shareholders whose names appear on the register of members of the Company at the close of business on 6 September 2013 (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 4 September 2013 (Wednesday) to 6 September 2013 (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 18 October 2013, 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 3 September 2013 (Tuesday).

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
Lin Wei Ping
Executive Chairperson

Hong Kong, 26 June 2013

As at the date of this announcement, the Board comprises Ms. Lin Wei Ping as executive chairperson of the Board, Mr. Yang Dongwen as executive director and the chief executive officer, Mr. Lu Rongchang, 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*