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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: 00751)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

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, property development and property holding.

Highlights of results

The Group recorded the following results during the year ended 31 March 2014:

- Turnover reached HK$39,480 million (82.9% from the mainland China market), an increase of 4.4% from that of the financial year ended 31 March 2013 (the "Previous Year").
- Sales of TV products and digital set-top boxes accounted for 74.7% and 10.5% of the Group's total turnover respectively.
- Gross profit achieved HK$7,629 million (HK$3,833 million in the first half year), increased by 3.0%; and gross profit margin was 19.3% (19.1% in the first half year), decreased by 0.3 percentage points compared with that of the Previous Year.
- Profit for the year was HK$1,433 million, decreased by 10.1% from that of the Previous Year.
- Profit for the year attributable to the Owners of the Company decreased by 16.5%, from HK$1,501 million of the Previous Year to HK$1,254 million.
- The Board has proposed a final dividend of HK6.5 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 33.6% for the whole year.

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 2014 (the "Reporting Year") together with the comparative figures for the Previous Year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

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

	NOTES	2014	2013
Turnover	2	**39,480**	37,824
Cost of sales		**(31,851)**	(30,418)
Gross profit		**7,629**	7,406
Other income		**973**	651
Other gains and losses	4	**(149)**	(46)
Selling and distribution expenses		**(4,925)**	(4,554)
General and administrative expenses		**(1,645)**	(1,388)
Finance costs		**(163)**	(133)
Share of results of associates		**1**	3
Share of results of joint ventures		**(21)**	(13)
Profit before taxation		**1,700**	1,926
Income tax expense	5	**(267)**	(332)
Profit for the year	6	**1,433**	1,594
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(8)**	123
Fair value loss on available-for-sale financial assets		**(12)**	(7)
Reclassification adjustment upon impairment of available-for-sale financial assets		**12**	7
Fair value loss on cash flow hedges		**(3)**	-
Loss on cash flow hedges reclassified to profit or loss		**13**	10
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**-**	(1)
Other comprehensive income for the year		**2**	132
Total comprehensive income for the year		**1,435**	1,726
Profit for the year attributable to:			
Owners of the Company		**1,254**	1,501
Non-controlling interests		**179**	93
		1,433	1,594
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,256**	1,633
Non-controlling interests		**179**	93
		1,435	1,726
Earnings per share (expressed in HK cents)			
Basic	8	**44.64**	54.88
Diluted	8	**44.58**	54.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2014

Amounts expressed in millions of Hong Kong dollars

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 MARCH 2014

Amounts expressed in millions of Hong Kong dollars

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

NOTES:

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

<u>Application of new and revised HKFRSs</u>

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

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

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

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

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

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

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

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

Application of new and revised HKFRSs - continued

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

Impact of the application of HKFRS 10

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

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

Impact of the application of HKFRS 11

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

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

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

Application of new and revised HKFRSs - continued

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

Impact of the application of HKFRS 11 - continued

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

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

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

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

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

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

Application of new and revised HKFRSs - continued

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

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

New and revised HKFRSs in issue but not yet effective

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

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

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

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

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

2. TURNOVER

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

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

3. SEGMENT INFORMATION

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

The Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

1. TV products (PRC market) - design, manufacture and sale of televisions for The People's Republic of China (the "PRC") market (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region)
2. TV products (overseas market) - design, manufacture and sale of televisions for the overseas market
3. Digital set-top boxes - design, manufacture and sale of digital set-top boxes
4. LCD modules - design, manufacture, sale and processing of LCD modules
5. White Appliances - design, manufacture, sale of white appliances, including refrigerators, washing machines, etc
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 regarding these two segments would be useful to the users of the consolidated financial statements.

3. SEGMENT INFORMATION - continued

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

Segment information about these businesses is presented below.

Segment revenues and results

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

For the year ended 31 March 2014

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

For the year ended 31 March 2013

	TV products (PRC market)	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 joint ventures									(13)
Consolidated profit before taxation of the Group									1,926

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 joint ventures. 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 2014

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	14,986	668	3,210	850	1,573	925	3,689	-	25,901
Interests in associates									14
Interests in joint ventures									59
Unallocated corporate assets									6,170
Total consolidated assets									32,144
Liabilities									
Segment liabilities	8,618	229	1,860	425	1,317	206	896	-	13,551
Unallocated corporate liabilities									7,245
Total consolidated liabilities									20,796

As at 31 March 2013

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

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

- all assets are allocated to reportable segments other than interests in associates and joint ventures, available-for-sale investments, deferred tax assets, held-to-maturity investments, tax recoverable, structured bank deposit, pledged bank deposits, bank balances and cash, and other unallocated corporate assets; and

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

3. SEGMENT INFORMATION - continued

Other segment information

For the year ended 31 March 2014

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes HK$ million	LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Included in measure of segment results or segment assets:									
Capital expenditure on									
- Property, plant and equipment	474	4	167	190	228	306	459	-	1,828
- Prepaid lease payments for land use rights	18	-	-	-	-	-	6	-	24
Depreciation of property, plant and equipment	245	7	46	59	-	8	30	-	395
Loss on disposal of property, plant and equipment	6	-	-	12	-	-	1	-	19
Impairment loss on trade receivables	6	-	37	2	-	-	2	-	47
Release of prepaid lease payments on land use rights	6	-	1	-	-	4	-	-	11
Write-down of inventories	15	-	3	-	4	-	21	-	43

For the year ended 31 March 2013

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

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

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

4. OTHER GAINS AND LOSSES

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

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

5. INCOME TAX EXPENSE

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

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

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

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

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. HK$28 million (2013: nil) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year.

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 profit or loss and other comprehensive income as follows:

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

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

In 2011, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on a few subsidiaries of the Company for the years of assessments from 2002/2003 onwards. Assessments/estimated assessments for the years of assessment 2002/2003 to 2007/2008 were issued to the relevant subsidiaries. Tax reserve certificates in an aggregate amount of approximately HK$9 million were purchased up to the date of this report. Since the tax audit is at the fact finding stage with information and documents submitted are currently being reviewed by the IRD and views are being/will be exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with any degree of accuracy and no provision for any potential tax liability has been made in the consolidated financial statements up to this stage.

6. PROFIT FOR THE YEAR

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

7. DIVIDENDS

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

The final dividend of HK6.5 cents per share, totaling approximately HK$184 million, for the year ended 31 March 2014 is proposed by the directors of the Company on 24 June 2014. Such final dividend will be satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2014.

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

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:

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

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both years ended 31 March 2014 and 2013.

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

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

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

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

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,997 million (2013: HK$1,623 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

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

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

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

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

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

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

Movement in the allowance for doubtful debts is as follows:

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

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

10. BILLS RECEIVABLE

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

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

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

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

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

12. BILLS PAYABLE

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

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

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

13. PLEDGE OF ASSETS

At 31 March 2014, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$71 million (2013: HK$76 million) and HK$21 million (2013: HK$50 million) respectively; and

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

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

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

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

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

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

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

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

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

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

TV Products

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

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

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in mainland China performed by All View Consulting Co., Ltd. (a market research and marketing consulting company focusing on consumer electronic and home appliance industry, the establishment of which was initiated and advocated by China Video Industry Association in China) the Group's market shares among local and foreign TV brands in mainland China for the 12 months ended 31 March 2014 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Digital Set-top Boxes</u>

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

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

White Appliances

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

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

LCD Modules

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

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

(b) Overseas Markets

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

TV Products

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

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

Digital Set-top Boxes

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

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

White Appliances

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

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

Geographical Distribution

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

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

Gross Profit Margin

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

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

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

(3) Selling and Distribution Expenses

The Group's selling and distribution ("S&D") expenses mainly comprised of brand promotion and marketing expenses, sales and marketing related salaries, repairs and maintenance and transportation expenses. For the Reporting Year, S&D expenses rose by 8.1% or HK$371 million from last year to HK$4,925 million. The ratio of S&D expense to turnover increased 0.5 percentage points from 12.0% to 12.5%.

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

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

(4) General and Administrative Expenses

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

To maintain the ability to offer quality products with latest technology features, the Group had devoted more resources in R&D during the Reporting Year. This triggered an increase of HK$238 million or 69.4% in R&D expenses. In addition, the staff salary and welfare increased by HK$32 million, or 8.5% due to the increase in minimum wages and the performance related bonus. Other expenses did not change significantly, compared with that of last year.

Management will regularly review and update controls and procedures to ensure that cost objectives can be achieved.

(5) Inventory Control

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

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

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

(6) Trade Receivables and Bills Receivable

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

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

(7) Trade Payables and Bills Payable

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

The Group adheres to its principle of prudence and committed to maintain a healthy financial position. At the end of the Reporting Year, total bank loans amounted to HK$5,703 million (2013: HK$5,806 million). Equity attributable to owners of the Company amounted to HK$10,822 million (2013: HK$9,969 million). The debt to equity ratio is revealed as 50.3% (2013: 56.7%).

TREASURY POLICY

Most of the Group's major investments and revenue stream situate in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"); others are denominated in Hong Kong dollars and US dollars. The Group uses general trade financing to fulfill the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. During the Reporting Year, the Group recognised HK$31 million net foreign exchange losses (2013: HK$9 million net foreign exchange gains) associated with general operation.

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

SIGNIFICANT INVESTMENTS AND ACQUISITION

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

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

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

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

The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set.

OUTLOOK

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

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

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

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

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

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 2014 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 Mr. Wei Wei.

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

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 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2014 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 2014 of HK6.5 cents per ordinary share (2013: HK11.0 cents), totaling approximately HK$184 million (2013: HK$308 million) to shareholders whose names appear on the register of members of the Company at the close of business on 5 September 2014 (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 3 September 2014 (Wednesday) to 5 September 2014 (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 23 October 2014, 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 2 September 2014 (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, 24 June 2014

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. Shi Chi and Ms. Chan Wai Kay, Katherine as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Wei Wei as independent non-executive directors.

** For identification purpose only*