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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

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

Highlights of Results

The Group recorded the following results for the Reporting Year:

- Revenue reached HK$42,695 million, an increase of 6.4% from that of the Previous Year.
- Sales of TV products and digital set-top boxes accounted for 70.5% and 13.8% of the Group's total revenue respectively.
- Gross profit achieved HK$9,363 million, increased by 16.7%; and gross profit margin was 21.9%, increased by 1.9 percentage points compared with that of the Previous Year.
- Profit for the year was HK$2,527 million, decreased by 24.6% from that of the Previous Year (including one-off gain). Profit for the year attributable to the owners of the Company decreased by 30.6%, from HK$3,128 million of the Previous Year (including one-off gain) to HK$2,170 million.
- By excluding the one-off gain on disposal of land and other associated assets in the Previous Year, profit for the year and profit attributable to the owners of the Company increased by 27.1% and 22.9% respectively.
- Basic earnings per Share was HK75.89 cents, decreased by 31.5% compared to that of the Previous Year (including one-off gain), whilst increased by 21.4% compared to that of the Previous Year (excluding one-off gain).
- The Board has proposed a final dividend of HK14.4 cents per Share with an option to elect new Shares in lieu of cash. This represents a dividend payout ratio of 32.41% for the whole year.

The Board is pleased to announce the audited consolidated results of the Group for the Reporting Year together with the comparative figures for the Previous Year.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

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

	NOTES	2016	2015
Revenue	2	42,695	40,135
Cost of sales		(33,332)	(32,112)
Gross profit		9,363	8,023
Other income		1,411	1,103
Other gains and losses	4	(55)	25
Gain on disposal of land and other associated assets		-	1,755
Selling and distribution expenses		(4,756)	(4,835)
General and administrative expenses		(2,581)	(1,736)
Finance costs		(239)	(161)
Share of results of associates		3	4
Share of results of joint ventures		4	(2)
Profit before taxation		3,150	4,176
Income tax expense	5	(623)	(826)
Profit for the year	6	2,527	3,350
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(695)	(32)
Fair value loss on available-for-sale financial assets		(20)	(27)
Reclassification adjustment upon impairment of available-for-sale financial assets		20	27
Other comprehensive expense for the year		(695)	(32)
Total comprehensive income for the year		1,832	3,318
Profit for the year attributable to:			
Owners of the Company		2,170	3,128
Non-controlling interests		357	222
		2,527	3,350
Total comprehensive income for the year attributable to:			
Owners of the Company		1,577	3,098
Non-controlling interests		255	220
		1,832	3,318
Earnings per Share (expressed in Hong Kong cents)			
Basic	8	75.89	110.71
Diluted	8	74.88	110.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2016

Amounts expressed in millions of Hong Kong dollars

	NOTES	2016	2015
Non-current Assets			
Property, plant and equipment		5,818	5,223
Deposits for purchase of property, plant and equipment		213	56
Investment properties		5	5
Prepaid lease payments on land use rights		718	550
Goodwill		506	411
Intangible assets		113	-
Interests in associates		11	18
Interests in joint ventures		49	54
Held-to-maturity investments		702	325
Available-for-sale investments		1,254	1,424
Loan receivables		245	-
Finance lease receivables		146	-
Deferred tax assets		304	195
		10,084	8,261
Current Assets			
Inventories		5,494	4,342
Stock of properties		763	830
Prepaid lease payments on land use rights		19	14
Derivative financial instruments		-	1
Held-to-maturity investments		2,864	653
Available-for-sale investments		1,042	821
Held-for-trading investments		15	-
Trade and other receivables, deposits and prepayments	9	7,447	7,204
Bills receivable	10	7,245	7,297
Loan receivables		1,089	96
Finance lease receivables		482	-
Loan to a joint venture		-	25
Amounts due from associates		-	38
Pledged bank deposits		493	423
Bank balances and cash		5,023	3,317
		31,976	25,061
Current Liabilities			
Trade and other payables	11	10,419	9,154
Bills payable	12	5,195	4,835
Derivative financial instruments		-	2
Provision for warranty		143	166
Amounts due to associates		35	5
Tax liabilities		312	448
Bank borrowings		4,950	1,274
Deferred income		247	185
		21,301	16,069
Net Current Assets		10,675	8,992
Total Assets less Current Liabilities		20,759	17,253

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 MARCH 2016
Amounts expressed in millions of Hong Kong dollars

	NOTE	2016	2015
Non-current Liabilities			
Other payable	11	54	-
Provision for warranty		90	65
Bank borrowings		3,155	1,312
Deferred income		626	522
Deferred tax liabilities		134	151
		4,059	2,050
NET ASSETS		16,700	15,203
Capital and Reserves			
Share capital		295	285
Share premium		2,995	2,567
Share option reserve		221	221
Share award reserve		55	37
Shares held for Share Award Scheme		(206)	(76)
Investment revaluation reserve		-	-
Surplus account		38	38
Capital reserve		1,238	1,165
Exchange reserve		489	1,082
Accumulated profits		9,967	8,420
Equity attributable to owners of the Company		15,092	13,739
Non-controlling interests		1,608	1,464
		16,700	15,203

NOTES:

1. APPLICATION OF NEW AND REVISED HKFRSs

Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the Reporting Year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

1. APPLICATION OF NEW AND REVISED HKFRSs - continued

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

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial instruments. For the moment, it is not practicable to provide a reasonable estimate of that effect of the application of HKFRS 9 until the Group performs a detailed review.

1. APPLICATION OF NEW AND REVISED HKFRSs - continued

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

Other than disclosed above, the Directors 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. REVENUE

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

	2016 HK$ million	2015 HK$ million
Manufacture and sales of TV products	30,112	30,141
Manufacture and sales of digital set-top boxes	5,913	4,376
Processing income and sales of LCD modules	772	643
Manufacture and sales of white appliances	2,366	2,358
Property rental income	259	249
Sales of properties	366	175
Others	2,907	2,193
	42,695	40,135

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 TV for the PRC market (excluding Hong Kong and Macau)
2. TV products (overseas market) - design, manufacture and sale of TV for the overseas market (including Hong Kong and Macau)
3. Digital set-top boxes and LCD modules - design, manufacture and sale of digital set-top boxes and design, manufacturing, sales and processing of LCD modules
4. White appliances - design, manufacture and sale of white appliances, including refrigerators, washing machines, etc.
5. 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 other operating segments mainly include (i) design, manufacture and sale of other electronic products, and (ii) sales of properties. These two operating segments do not meet any of the quantitative thresholds for determining reportable segments. Accordingly, these two operating segments are grouped as "Others" segment.

The segment information of "LCD modules" as disclosed in the comparative figures have been combined with "Digital set-top boxes" to conform with the Reporting Year's presentation, for the purpose of reporting to the chief operating decision maker after the acquisition of LCD modules business by Skyworth Digital Co., Ltd.

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 2016

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Revenue								
Segment revenue from external customers	24,129	5,983	6,685	2,366	259	3,273	-	42,695
Inter-segment revenue	795	-	905	-	36	620	(2,356)	-
Total segment revenue	24,924	5,983	7,590	2,366	295	3,893	(2,356)	42,695
Results								
Segment results	2,028	154	765	190	174	(96)	-	3,215
Interest income								400
Unallocated corporate expenses less income								(233)
Finance costs								(239)
Share of results of associates								3
Share of results of joint ventures								4
Consolidated profit before taxation of the Group								3,150

For the year ended 31 March 2015

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Revenue								
Segment revenue from external customers	24,379	5,762	5,019	2,358	249	2,368	-	40,135
Inter-segment revenue	945	-	1,009	-	26	227	(2,207)	-
Total segment revenue	25,324	5,762	6,028	2,358	275	2,595	(2,207)	40,135
Results								
Segment results	1,691	120	641	83	161	(94)	-	2,602
Interest income								215
Unallocated corporate expenses less income								(237)
Gain on disposal of land and other associated assets								1,755
Finance costs								(161)
Share of results of associates								4
Share of results of joint ventures								(2)
Consolidated profit before taxation of the Group								4,176

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, gain on disposal of land and other associated assets, finance costs, and share of results of associates and joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 March 2016

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets								
Segment assets	12,989	1,367	5,475	1,162	1,399	7,405	-	29,797
Goodwill								506
Interests in associates								11
Interests in joint ventures								49
Unallocated corporate assets								11,697
Total consolidated assets								42,060
Liabilities								
Segment liabilities	6,878	806	3,406	703	510	3,633	-	15,936
Unallocated corporate liabilities								9,424
Total consolidated liabilities								25,360

As at 31 March 2015

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets								
Segment assets	14,292	1,067	4,480	1,452	1,080	3,284	-	25,655
Goodwill								411
Interests in associates								18
Interests in joint ventures								54
Unallocated corporate assets								7,184
Total consolidated assets								33,322
Liabilities								
Segment liabilities	9,770	346	2,514	1,192	121	282	-	14,225
Unallocated corporate liabilities								3,894
Total consolidated liabilities								18,119

3. SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

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

- all assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, derivative financial instruments, held-to-maturity investments, available-for-sale investments, deferred tax assets, held-for-trading investments, loan to a joint venture, pledged bank deposits and bank balances and cash; and

- all liabilities are allocated to reportable segments other than derivative financial instruments, tax liabilities, bank borrowings, deferred income and deferred tax liabilities.

Other segment information

For the year ended 31 March 2016

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and 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:								
Amortisation of intangible assets	-	1	1	-	-	1	-	3
Capital expenditure on								
- Intangible assets	-	5	1	-	-	1	-	7
- Property, plant and equipment	239	12	300	67	417	249	-	1,284
- Prepaid lease payments for land use rights	-	-	-	21	-	151	-	172
Depreciation of property, plant and equipment	192	4	102	93	42	206	-	639
Loss (gain) on disposal of property, plant and equipment	5	-	6	1	-	(4)	-	8
Impairment loss (reversal of impairment loss) on trade receivables	4	-	6	(4)	-	(4)	-	2
Release of prepaid lease payments on land use rights	4	-	1	1	2	11	-	19
Write-down (write-back) of inventories	31	11	(22)	3	-	(18)	-	5

For the year ended 31 March 2015

	TV products (PRC market) HK$ million	TV products (overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Property holding HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Included in measure of segment results or segment assets:								
Capital expenditure on								
- Property, plant and equipment	302	5	245	369	24	307	-	1,252
- Prepaid lease payments for land use rights	-	-	-	40	2	3	-	45
Depreciation of property, plant and equipment	232	1	78	62	39	31	-	443
(Gain) loss on disposal of property, plant and equipment	(55)	-	4	(9)	-	(2)	-	(62)
Impairment loss on trade receivables	6	-	12	2	-	8	-	28
Release of prepaid lease payments on land use rights	5	-	1	1	3	7	-	17
Write-down (write-back) of inventories	26	9	7	(2)	-	23	-	63

3. SEGMENT INFORMATION - continued

Geographical information

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

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

	Revenue from external customers		Non-current assets (Note)	
	2016	2015	2016	2015
	HK$ million	HK$ million	HK$ million	HK$ million
PRC	33,153	31,541	7,274	6,275
Asia region (other than PRC)	4,321	2,125	35	39
America	1,949	2,982	-	-
Europe	1,300	947	119	-
Other regions	1,972	2,540	5	3
	42,695	40,135	7,433	6,317

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

4. OTHER GAINS AND LOSSES

	2016	2015
	HK$ million	HK$ million
Exchange gain, net	7	8
Impairment loss recognised in respect of amount due from and loan to a joint venture	(31)	-
Impairment loss recognised in respect of available-for-sale investments	(20)	(27)
Impairment loss recognised in respect of trade receivables	(2)	(28)
(Loss) gain from changes in fair value of derivative financial instruments	(1)	10
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments on land use rights	(8)	62
	(55)	25

5. INCOME TAX EXPENSE

	2016 HK$ million	2015 HK$ million
PRC income tax		
Current year	668	500
Tax in related to gain on disposal of land and other associated assets	-	393
Under(over)provision in prior years	21	(29)
	689	864
Hong Kong Profits Tax		
Current year	1	-
Underprovision in prior years	37	-
	38	-
Taxation arising in other jurisdictions		
Current year	25	-
LAT	7	-
Deferred taxation	(136)	(38)
	623	826

Hong Kong Profit Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for both years. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

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

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to Enterprise Income Tax ("EIT") pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC.

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:

	2016 HK$ million	2015 HK$ million
Profit before taxation	3,150	4,176
Tax at applicable tax rate at 15% (Note)	473	627
Tax effect of expenses not deductible for tax purpose	39	38
Tax effect of income not taxable for tax purpose	(69)	(51)
Under(over)provision in prior years	58	(29)
Tax effect of tax losses not recognised	65	64
Utilisation of tax losses previously not recognised	(11)	(19)
Tax effect of share of results of associates	(1)	(1)
Tax effect of share of results of joint ventures	(1)	-
PRC LAT	7	-
Tax effect of PRC LAT	(1)	-
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	67	194
Others	(3)	3
Income tax expense for the year	623	826

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 IRD initiated a tax audit on certain subsidiaries of the Company in Hong Kong and Macau for the years of assessments from 2002/2003 onwards. Assessments / estimated assessments for the years of assessment 2002/2003 to 2008/2009 were issued to the relevant subsidiaries. As at 31 March 2016, tax reserve certificates in an aggregate amount of approximately HK$24.1 million were purchased.

After conducting internal assessment and seeking external tax advice, it was the opinion of the Directors that no additional profits tax should be payable as the profits / loss reported by the relevant subsidiaries in Hong Kong to IRD were commercially justifiable and the relevant subsidiary in Macau did not carry on any business or derive any profits in Hong Kong. However, having considered the opinion of the IRD on various controversial issues and in order to avoid a further protracted exchange of correspondences which may not be the best interest from the commercial perspective, the Directors decided to resolve the case with the IRD by a compromise settlement approach.

Subsequent to the Reporting Year, against this background and following subsequent negotiations with the IRD, the relevant subsidiaries have reached a compromise settlement with the IRD for the whole tax audit for the years of assessment from 2002/2003 to 2013/2014 and the additional tax liability on the agreed additional / revised assessable profits and the additional other payments imposed on the relevant subsidiaries have been recognised in the Reporting Year's consolidated financial statements. The additional tax liability was partially settled by the tax reserve certificates previously purchased by the relevant subsidiaries.

6. PROFIT FOR THE YEAR

	2016 HK$ million	2015 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	3	-
Auditors' remunerations	8	8
Cost of inventories recognised as an expense including write-down of inventories of HK$5 million (2015: HK$63 million)	33,014	31,912
Cost of stock of properties recognised as an expense	236	102
Depreciation of property, plant and equipment	639	443
Impairment loss on trade receivables	2	28
Operating lease rentals in respect of land and buildings	204	135
Release of prepaid lease payments on land use rights	19	17
Rental income from leasing of properties less related outgoings of HK$82 million (2015: HK$37 million)	(177)	(151)
Research costs recognised as an expense (including staff costs of HK$641 million (2015: HK$370 million))	1,222	614
Staff costs:		
- Directors' and chief executive's emoluments	113	82
- Related staff costs for research activities	641	370
- Other staffs salaries, bonus, retirement benefits and others	3,389	3,217
	4,143	3,669

7. DIVIDENDS

	2016 HK$ million	2015 HK$ million
Dividends recognised as distribution during the year:		
2015 Final - HK11.0 cents (2015: 2014 final dividend HK6.5 cents) per Share	314	184
2016 Interim - HK9.6 cents (2015: 2015 interim dividend HK9.5 cents) per Share	280	269
Special dividend upon the completion of acquisition of subsidiaries and partial disposal of a subsidiary - HK4.0 cents per Share	-	113
Less: Dividends for Shares held by employee's Share Award Scheme	(4)	(2)
	590	564

The final dividend of HK14.4 cents per Share, totalling approximately HK$423 million, for the Reporting Year is proposed by the Directors on 14 June 2016. 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 Year, such dividend is not recognised as a liability as at 31 March 2016.

During the Reporting Year, Share dividends alternatives were offered as follows:

	2016 HK$ million	2015 HK$ million
2015 Final dividend (2015: 2014 Final dividend)		
Cash	88	160
Scrip dividends	226	24
	314	184
2016 Interim dividend (2015: 2015 interim dividend)		
Cash	172	228
Scrip dividends	108	41
	280	269

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:

	2016 HK$ million	2015 HK$ million
Earnings		
Earnings for the purposes of basic and diluted earnings per Share:		
Profit for the year attributable to owners of the Company	2,170	3,128

	2016	2015
Number of Shares		
Weighted average number of ordinary Shares for the purpose of basic earnings per Share	2,859,251,392	2,825,285,119
Effect of dilutive potential ordinary Shares in respect of outstanding Share options	17,829,462	3,317,995
Effect of dilutive potential ordinary Shares in respect of outstanding Share awards	20,971,427	3,931,408
Weighted average number of ordinary Shares for the purpose of diluted earnings per Share	2,898,052,281	2,832,534,522

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 2016 and 2015.

The weighted average number of ordinary Shares shown above has been arrived at after deducting Shares held by Share Award Scheme trust.

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 Year, and other receivables, deposits and prepayments:

	2016 HK$ million	2015 HK$ million
Within 30 days	2,160	2,083
31 to 60 days	698	701
61 to 90 days	554	565
91 to 365 days	1,503	1,403
Over 365 days	375	506
Trade receivables	5,290	5,258
Prepayment on acquisition of land for property development	459	-
Purchase deposits paid for materials	183	367
Receivables from disposals of property, plant and equipment and prepaid lease payments on land use rights	-	207
VAT receivables	641	483
Other deposits paid, prepayments and other receivables	874	889
	7,447	7,204

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$1,781 million (2015: HK$2,508 million) which are past due at the end of the Reporting Year 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

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

	2016 HK$ million	2015 HK$ million
Overdue:		
Within 30 days	762	1,257
31 to 60 days	259	305
61 to 90 days	186	200
91 days or over	574	746
	1,781	2,508

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 Year. 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.

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$178 million (2015: HK$185 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Movements in the allowance for doubtful debts is as follows:

	2016 HK$ million	2015 HK$ million
Balance at 1 April	185	175
Impairment loss recognised on trade receivables	2	28
Amounts uncollectible written off	(4)	(16)
Exchange realignment	(5)	(2)
Balance at 31 March	178	185

10. BILLS RECEIVABLE

The maturity dates of bills receivable at the end of the Reporting Year are analysed as follows:

	2016 HK$ million	2015 HK$ million
Within 30 days	1,147	601
31 to 60 days	1,074	1,168
61 to 90 days	1,713	1,511
91 days or over	3,011	3,711
Bills endorsed to suppliers with recourse	-	5
Bills discounted to banks with recourse	300	301
	7,245	7,297

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

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

All bills receivable at the end of the Reporting Year 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 Year, and other payables:

	2016 HK$ million	2015 HK$ million
Within 30 days	2,671	2,325
31 to 60 days	1,015	897
61 to 90 days	829	546
91 days or over	512	323
Trade payables under endorsed bills	-	5
Trade payables	5,027	4,096
Accruals and other payables	1,030	1,046
Accrued staff costs	974	803
Accrued selling and distribution expenses	91	400
Deposits received for sales of goods	1,321	979
Deposits received for sales of properties	132	308
Membership fee received	220	237
Other deposits received	731	407
Payables for acquisition of subsidiaries	123	-
Payables for purchase of property, plant and equipment	49	91
Sales rebate payable	731	766
VAT payable	44	21
	10,473	9,154
Less: Amount due after one year under non-current liabilities	(54)	-
	10,419	9,154

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

12. BILLS PAYABLE

The maturity dates of bills payable at the end of the Reporting Year are analysed as follows:

	2016 HK$ million	2015 HK$ million
Within 30 days	877	1,180
31 to 60 days	1,036	952
61 to 90 days	895	901
91 days or over	2,387	1,802
	5,195	4,835

All bills payable at the end of the Reporting Year are not yet due.

13. PLEDGE OF ASSETS

At 31 March 2016, 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$190 million (2015: HK$71 million) and HK$96 million (2015: HK$135 million) respectively;

(b) pledged bank deposits of HK$493 million (2015: HK$423 million);

(c) finance lease receivables of HK$158 million (2015: nil); and

(d) trade receivables of HK$88 million (2015: nil).

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

For the Reporting Year, the consolidated revenue of the Group reached HK$42,695 million (2015: HK$40,135 million), representing an increase of 6.4% when compared with the Previous Year. The profit for the year reached HK$2,527 million (2015: HK$3,350 million), representing a decrease of 24.6%, on a yearly basis. By excluding the one-off gain on disposal of land and other associated assets in the Previous Year, the profit for the year has shown an increase of 27.1%, on a yearly basis. Gross profit margin was 21.9% (2015: 20.0%), increased by 1.9 percentage points when compared with the Previous Year.

For the Reporting Year, thanks to the co-effort of the Group's sales teams, the total sales volume of TV reached a historical high of 14 million sets. The sales volume of 4K Smart TV has increased significantly by 101.6%. The Group's sales volume of TV by product and geographical segment are analysed as follow:

	April 2015 to March 2016	**April 2014 to March 2015**	**April 2015 to March 2016 vs. April 2014 to March 2015**
	Unit('000)	*Unit('000)*	***Increase/(Decrease)***
China Market	**10,036**	**9,459**	**6%**
which comprises:			
- Smart TV (4K)	***2,793.8***	***1,385.5***	***102%***
- Smart TV (Non-4K)	***4,249.3***	***3,435.1***	***24%***
- Other Flat Panel TV	***2,992.8***	***4,638.1***	***(35%)***
Overseas Market	**4,410**	**3,715**	**19%**
which comprises:			
- LED LCD TV	***4,406.9***	***3,712.5***	***19%***
- Other TV	***3.4***	***2.3***	***48%***
Total TV sales volume	**14,446**	**13,174**	**10%**

The TV business unit in China market recorded the following numbers of users using Skyworth Smart TV as at 31 March 2016:
- Accumulated activated users: 12,650,509
- Weekly active users: 7,490,139

During the Reporting Year, although average selling price of TV has been decreasing due to significant drop in panel prices and other related raw material, the Group has implemented a product diversification strategy. The Group has begun to move its gaze from "TV" to "Smart Home" products. At the same time, by cohering with its diversification in market, channel and product strategies, the overall revenue was able to sustain a continuous growth. Secondly, the Group actively sourced merger and acquisition opportunities in overseas market. By capitalising on brand and channel advantage through these overseas merger and acquisition projects, the Group has enhanced its self-owned brand awareness and market share in the overseas market.

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

For the Reporting Year, sales in mainland China market accounted for 77.7% of the Group's total revenue, a 5.1% growth from HK$31,541 million in the Previous Year to HK$33,153 million. The corresponding gross profit margin was 23.9% (2015: 22.0%), representing an increase of 1.9 percentage points year-on-year.

For the PRC Market, TV sales in mainland China market accounted for 72.8% of the Group's revenue from the PRC, while sales of digital set-top boxes and LCD modules and white appliances accounted for 12.0% and 6.5%, respectively. Other business units included those engaging in financial services, property leasing, lighting products, property development, security system, air conditioning and other electronic products etc., attributed to the remaining 8.7%.

<u>TV products</u>

During the Reporting Year, the Group has continuously focused on large panels and UHD products in mainland China market. The Group was able to strengthen its high-end brand image and position, and concentrated in promoting Smart TV products with higher profit margin and higher average selling price. As a result, the portion of 4K Smart TV products sales volume has increased to 27.8% when compared with the total TV products sales volume in mainland China, also represented a year-on-year growth of 101.6%. The Group has out-performed other competitors in the mainland China market in terms of sales volume. TV sales in mainland China amounted to HK$24,129 million (2015: HK$24,379 million), slightly decreased by 1.0% when compared with the Previous Year.

Along with internet popularity and increasing internet users, the e-commerce industry has received a great opportunity to develop and growth. The Group has fastened its pace in building the online to offline vertically integrated business strategy. Starting from April 2015, "Coocaa", an internet sub-brand of the Group, began to operate independently from the TV business unit and started to compete with other internet business new entrants focusing on youth users. As at 31 March 2016, the accumulated activated users of Coocaa Smart TV and weekly and daily active users were 9,519,615, 6,089,246 and 4,487,950, respectively. The sales volume of Coocaa TV represented 9.3% of the mainland China TV market.

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 2016 are as follow:

	Ranking	**Market share**
All TV		
- Volume	1	17.9%
- Revenue	1	17.4%
4K UHD TV		
- Volume	1	21.8%
- Revenue	1	19.1%

Digital set-top boxes and LCD modules

For the Reporting Year, the revenue of digital set-top boxes and LCD modules in mainland China market recorded HK$3,990 million (2015: HK$2,876 million), representing an increase of 38.7% or HK$1,114 million when compared with the Previous Year. The revenue of digital set-top boxes represented 85.8% or HK$3,425 million.

During the Reporting Year, the Group has injected the LCD modules business to the digital set-top boxes business unit and the controlling interest of LCD modules has completed the transferal, therefore, LCD modules has been included in its consolidated financial statements as of 31 March 2016.

The Group continues to concentrate its effort in developing radio and television network operators' market, by strengthen its B2B service and marketing abilities which help to maintain and explore smart terminal market. Owing to the reformation and consolidation of the provincial broadcasting platform, the Group was able to deliver its products in all provinces in mainland China and sustained its number 1 market share position in cable set-top box terminal market for 8 years consecutively. Apart from the traditional business, the Group forms in either cooperation or joint ventures with the radio and television network operators in mainland China to expand its value-added services. Meanwhile, the Group actively nurtures and develops new profit growth point, so as to maintain a momentum in revenue growth.

White Appliances

For the Reporting Year, the revenue of white appliances in mainland China market recorded HK$2,156 million (2015: HK$1,895 million), representing an increase of 13.8% or HK$261 million.

The Group has imposed a diversified products strategy for the white appliances products. During the Reporting Year, the Group has promoted a product mix improvement and resulted competitively for diversified products such as large-volume direct cooling refrigerators, air-cooled refrigerators and inverter washing machines. In addition to the second half of the year, our sales channel has comprehensive coverage of large scale chain stores, on-line shops and traditional rural markets, resulted in a strong sales growth in slack season and lead to a remarkable revenue of the washing machines compared with the Previous Year.

On the other hand, during the Reporting Year, the Group adopted its self-developed healthy and intelligent technological platform ("i-health") to its products and successfully integrated internet and smart features to its refrigerator and washing machine. It is expected that the continuous upgrade and intelligent process of white appliances will become the future growing point of white appliances business unit.

(b) Overseas Market

For the Reporting Year, revenue in overseas markets accounted for HK$9,542 million (2015: HK$8,594 million), equivalent to 22.3% of overall revenue (2015: 21.4%), soared by HK$948 million or 11.0%. The gross profit margin was 13.2% (2015: 13.5%), representing a decrease of 0.3 percentage points when compared with the Previous Year.

TV products

For the Reporting Year, the revenue of overseas TV products was HK$5,983 million (2015: HK$5,762 million), equivalent to 62.7% (2015: 67.0%) of the total overseas revenue and grew by 3.8%. The sales volume of LCD LED TV in overseas reached to 4.41 million sets, grew by 18.7% when compared with the Previous Year. The gross profit of TV products has showed a remarkable growth of 2.5 percentage point to 10.1% (2015: 7.6%).

The Group successfully acquired the TV segment of METZ in the first half of the Reporting Year and implemented a dual-brand marketing strategy to promote the Group's brand products in European markets. The Group focused on expanding the market share of middle to high-end TV products which led to LED LCD TV comprised 99.9% to the total sales volume. Over the years, the Group through OEM, ODM and set up overseas branches to promote our own brand, which already gained increasing popularity and visibility in the overseas markets. During the Reporting Year, the proportion of our own branded sales increased by 6.0% to 13.3%. In addition, the Group would adjust its product mix by differentiating market preferences, as well as actively explore diversified sales channels. All these measures resulted in an outstanding revenue growth in overseas market.

Digital set-top boxes and LCD modules

The revenue of overseas digital set-top boxes and LCD modules for the Reporting Year has increased by 25.8% to HK$2,695 million (2015: HK$2,143 million).

The Group continued to execute its international strategy and achieved volume sales in 95 nations and regions around the world. In addition, the Group has engaged a number of senior management and executives who possessed extensive international experience, in order to establish an international sales team that equipped with local knowledge, and to create a diversified sales channels and service platforms. Meanwhile, the Group has actively developed European and South American market, and also set-up South Africa and India subsidiaries to establish local manufacturing, supply chain and service mechanism. During the Reporting Year, the Group has acquired Strong Media in Europe, with its distribution channels and branding, the Group can accelerate its penetration to high-end market in Europe. On the other hand, the Group will extend its sales model from B2B to B2C, in order to deploy its strategy of internet retail channel brand for OTT smart terminal as well as value added after-sales service operation. All of these have contributed to a favourable growth in overseas sales.

(3) Geographical distribution in overseas markets

During the Reporting Year, the Group’s major overseas markets are in Asia, America, Europe and Middle East, which contributed 92.0% (2015: 76.0%) of the total overseas revenue. The geographical distribution of the revenue in percentage for overseas markets is illustrated as follows:

	Twelve months ended 31 March	
	2016 (%)	2015 (%)
Asia	45	25
America	20	35
Europe	14	11
Middle East	13	5
Africa	8	24
	100	100

(4) Gross Profit Margin

For the Reporting Year, the overall gross profit margin of the Group increased by 1.9 percentage points from 20.0% to 21.9% year-on-year.

For the Reporting Year, although the average selling price of TV in mainland China market was declining, the procurement cost for TV panel ended up dropping even more. In addition, the Group has also imposed a series of cost control policy such as automation and upgrading in product technology and quality, strengthened new products promotion, speeded up the switching cycle of middle to high-end products, and kept adjusting the product mix to meet the market demand. The Group focused in marketing products with higher profit margin and larger panel size, which improved its gross profit margin when compared with the Previous Year.

(5) Expenses

The Group's selling and distribution ("S&D") expenses mainly comprised of promotion and marketing, management fees, salaries and wages for sales teams, repair and maintenance, and transportation. For the Reporting Year, S&D expenses decreased by HK$79 million or 1.6% from HK$4,835 million in Previous Year to HK$4,756 million. The S&D expenses to revenue ratio decreased by 0.9 percentage points from 12.0% to 11.1%.

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$845 million or 48.7% from HK$1,736 million in Previous Year to HK$2,581 million. The G&A expenses to revenue ratio increased by 1.7 percentage points from 4.3% to 6.0%, mainly attributable to developing more resources in research and development ("R&D") expenses for black and white appliances, in order to implement the "Skyworth Smart Home". During the Reporting Year, the R&D expenses were used to develop smart, energy saving, healthy and high quality products with multi-features such as the 4K OLED HDR, which is the highest standard in display technology in the world. R&D expenses increased by HK$608 million or 99.0%.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy to maintain a stable financial growth. At the end of the Reporting Year, the Group's net current assets amounted to HK$10,675 million (2015: HK$8,992 million), increased by HK$1,683 million or 18.7% from 31 March 2015. Bank balances and cash amounted to HK$5,023 million (2015: HK$3,317 million), representing an increase of HK$1,706 million, compared with that as at 31 March 2015. Pledged bank deposits amounted to HK$493 million (2015: HK$423 million) increased by HK$70 million.

At the end of the Reporting Year, secured assets included HK$493 million pledged bank deposits (2015: HK$423 million), finance lease receivables of HK$158 million (2015: nil), trade receivables of HK$88 million (2015: nil) 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$286 million (2015: HK$206 million).

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$8,105 million (2015: HK$2,586 million). The debt to equity ratio revealed as 48.5% (2015: 17.0%).

TREASURY POLICY

Most of the Group's major investments and revenue streams are from mainland China. The Group's assets and liabilities are mainly denominated in RMB; others are denominated in Hong Kong dollars, US dollars and EUR 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$7 million net foreign exchange gains (2015: HK$8 million) associated with general operation.

The management of the Group regularly reviews the foreign currency and interest rate exposures, in order to determine the need on hedging of foreign exchange. It is expected that RMB will remain depreciation with a steady pace. However, since RMB is the Group's major transaction currency, it is anticipated that the Group will not expose to a significant exchange rate risk due to the fluctuation of RMB. In addition, the Group's actively reduce loans and payables which are denominated in US dollars, so as to minimise losses triggered by its appreciation.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, in order to cope with the expanding production scale and improving production capacity, an addition of HK$909 million in construction projects located in Guangzhou, Nanjing, Yichun and Shenzhen were underway. The Group had also spent approximately HK$375 million on ancillary machinery in production lines and other equipment and improvement of facilities in production plants. The Group planned to further invest approximately HK$669 million on property, plant and equipment, factory buildings and office premises under development, in order to cater for future business needs in intelligent, diversified and internationalised products.

During the Reporting Year, the Group executed its internationalisation strategy by acquiring TV related assets from METZ at approximately EUR 5.43 million, and acquired 80% equity interests in Strong Media at EUR 24 million. With METZ's R&D technology, reputable brand and existing distribution channels, the Group is able to benefit from these advantages to develop our brand products and to shorten the time needed to develop a supply chain system in the European market. Meanwhile, the Group has acquired Europe's leading set-top box brands – Strong Media, fusing together our ability in research, development, design, supply chain and manufacturing to the international branding, distribution channels and capabilities of Strong Media. This will bring complementary resources and synergy for both companies and provide a greater impetus to the expansion of overseas market. This will enhance the Group's market share in Europe, Central Asia and North African markets.

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 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 2016, the Group had over 38,000 (2015: 34,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 41 branches and 217 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 staff with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-the-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 will be disclosed in the Corporate Governance Report in Company's 2015/16 annual report.

OUTLOOK

The management of the Group expected that the operating environment of TV market in 2016 will be challenging. This is mainly because (1) TV market in mainland China will reach a bottleneck; (2) new entrance will create fierce competition with existing brands on market and product reform; (3) the oversupply of LCD panel will be eased soon. Going forward, the TV market is full of uncertainties, however, management believe that we will be able to manage all these challenges. In addition, the Group will speed up their development pace in overseas markets and will direct its effort in "Internationalisation, diversification, and intellectualisation" strategies. With our strength in products innovation, technological enhancement and instant response to markets, the Group is confident to maintain its leading position. Hence, the Group projected an aggregated annual target of 17 million sets TV sales volume for the financial year 2016/17, 11 million sets (including 4.85 million 4K Smart TV and 3.85 million Non-4K Smart TV) in mainland China market and 6 million sets in the overseas market respectively.

In year 2016, The Group will implement two approaches to sustain our business strategies. Firstly, to extend our core business from mainland China to overseas market through internationalising our brand products, in order to seize the international market shares. Secondly, to achieve products diversification and focus on smart home and appliance products. In addition, the management of the Group believes that OLED TV will gradually replace LED TV, as the highest standard in display technology in the future. The Group believes it is now the timing to launch OLED TV and it is anticipated that production cost of OLED can be reduced with the increase in scale. In year 2016, the Group will vigorously promote OLED products and we expect that OLED penetration can reach a satisfactory level in 2020.

COMPLIANCE WITH THE CG CODE

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is continually 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 CG Code.

During the Reporting Year and up to the date of this announcement, the Company has complied with the code provisions in the CG Code. Save and except for the code provision A.6.7 of the CG Code as one of the INED was unable to attend the annual general meeting of the Company held on 20 August 2015 as he had other engagement.

AUDIT COMMITTEE

The Audit Committee was established by the Board since the listing of the Shares on the Stock Exchange on 7 April 2000. The Audit Committee currently comprises of 3 INEDs. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry 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 on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the latest amendments made to the CG Code (which effective from 1 January 2016), the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments. The terms of reference of the Audit Committee was published on the Company's website (http://investor.skyworth.com/html/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk).

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the review of the annual results of the Group for the Reporting Year.

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 2016 as set out in the Preliminary Announcement have been agreed by the Group's auditors, 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 the Preliminary Announcement.

MODEL CODE

The Company has adopted the Code of Conduct on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company received confirmation from all of the Directors that they had complied with the Code of Conduct throughout the Reporting Year.

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

During the Reporting Year, the Company has purchased 38,646,000 Shares in the market for the purpose of the Share Award Scheme through an independent trustee. Save as disclosed above, during the Reporting Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has proposed a final dividend for the Reporting Year of HK14.4 cents per Share (Previous Year: HK11.0 cents), totaling approximately HK$423 million (Previous Year: HK$314 million) as at the date of this announcement to Shareholders whose names appear on the register of members of the Company at the close of business on 10 August 2016 (Wednesday). Shareholders may elect to receive final dividend in the form of cash or new Shares 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 8 August 2016 (Monday) to 10 August 2016 (Wednesday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend payable on or around 20 September 2016 (Tuesday), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 5 August 2016 (Friday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://investor.skyworth.com/html/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company's 2015/16 annual report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the Shareholders 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 Reporting Year.

By order of the Board
Skyworth Digital Holdings Limited
Lin Wei Ping
Executive Chairperson

Hong Kong, 14 June 2016

GLOSSARY

"Audit Committee"	the audit committee of the Company
"Board"	the board of the Company
"B2B"	business to business
"B2C"	business to customer
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Code of Conduct"	code of conduct regarding securities transactions by Directors
"Company" or "Skyworth"	Skyworth Digital Holdings Limited
"Director(s)"	Director(s) of the Company
"EUR"	Europe dollars, the lawful currency of the Eurozone
"Group"	the Company together with its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	independent non-executive director(s) of the Company
"IRD"	Hong Kong Inland Revenue Department
"LAT"	land appreciation tax
"LCD"	liquid crystal display
"LED"	light emitting diode backlights
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"METZ"	METZ-Werke GmbH & Co. KG, a company incorporated in Germany
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"ODM"	original design manufacturer
"OEM"	original equipment manufacturer
"OLED"	organic light-emitting diode
"OTT"	over-the-top
"PRC" or "China"	People's Republic of China
"Previous Year"	year ended 31 March 2015
"Reporting Year"	year ended 31 March 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Award Scheme"	Share award scheme approved and adopted by the Board on 24 June 2014

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Media”	Strong Media Group Limited, a company incorporated in the British Virgin Islands
“TV”	television
“UHD”	ultra-high definition
“US$”	United States dollars, the lawful currency of the United States
“VAT”	value-added-tax
“4K Smart TV”	smart TV with UHD (4K x 2K) panel
“%”	per cent

As at the date of this announcement, the Board comprises Ms. Lin Wei Ping as the executive chairperson, Mr. Yang Dongwen as executive Director and the chief executive officer, Mr. Shi Chi, Ms. Chan Wai Kay, Katherine and Mr. Liu Tangzhi as executive Directors; and Mr. Li Weibin, Mr. Wei Wei and Mr. Cheong Ying Chew, Henry as independent non-executive Directors.