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 2017

SKYWORTH DIGITAL HOLDINGS LIMITED is an investment holdings company with subsidiaries principally engaged in the manufacturing and selling 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 amounted to HK$42,845 million, representing an increase of 0.4% compared to the Previous Year.
- Sales of TV products accounted for 69.2% of the Group's total revenue, while digital set-top boxes and LCD modules accounted for 15.3% of the Group's total revenue. In the Previous Year, the comparative proportions were 70.5% and 15.7% respectively.
- Gross profit achieved HK$8,567 million, decreased by 8.5%. While, the gross profit margin was 20.0%, decreased by 1.9 percentage points compared with that of the Previous Year.
- Profit for the year and Profit for the year attributable to the owners of the Company for the Reporting Year were HK$1,529 million and HK$1,310 million respectively, which were decreased by 39.5% and 39.6% respectively, on a year-on-year basis.
- The Board has proposed a final dividend of HK5.0 cents per share of the Company with an option to elect new shares of the Company in lieu of cash. This represents a dividend payout ratio of 33.6 % 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 2017

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

	NOTES	2017	2016
Revenue	2	42,845	42,695
Cost of sales		(34,278)	(33,332)
Gross profit		8,567	9,363
Other income		1,535	1,411
Other gains and losses	4	200	(55)
Selling and distribution expenses		(5,091)	(4,756)
General and administrative expenses		(2,864)	(2,581)
Finance costs		(359)	(239)
Share of results of associates		-	3
Share of results of joint ventures		(4)	4
Profit before taxation		1,984	3,150
Income tax expense	5	(455)	(623)
Profit for the year	6	1,529	2,527
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(1,181)	(695)
Cumulative exchange loss reclassified to profit or loss upon disposal of a subsidiary		(1)	-
Fair value gain (loss) on available-for-sale financial assets, net of tax		62	(20)
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		(5)	-
Reclassification adjustment upon impairment of available-for-sale financial assets		4	20
Other comprehensive expense for the year		(1,121)	(695)
Total comprehensive income for the year		408	1,832
Profit for the year attributable to:			
Owners of the Company		1,310	2,170
Non-controlling interests		219	357
		1,529	2,527
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		540	1,577
Non-controlling interests		(132)	255
		408	1,832
Earnings per share (expressed in Hong Kong cents)			
Basic	8	44.64	75.89
Diluted	8	44.14	74.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

Amounts expressed in millions of Hong Kong dollars

	NOTES	2017	2016
Non-current Assets			
Property, plant and equipment		6,303	5,818
Deposits for purchase of property, plant and equipment		262	213
Investment properties		5	5
Prepaid lease payments on land use rights		818	718
Deposits for acquisition of land use rights		1,883	-
Goodwill		521	506
Intangible assets		116	113
Interests in associates		79	11
Interests in joint ventures		43	49
Investments in debt securities		-	702
Available-for-sale investments		1,268	1,254
Other receivables		10	-
Loan receivables		32	245
Finance lease receivables		68	146
Deferred tax assets		312	304
		11,720	10,084
Current Assets			
Inventories		6,666	5,494
Stock of properties		1,048	763
Prepaid lease payments on land use rights		29	19
Investments in debt securities		746	2,864
Available-for-sale investments		1,052	1,042
Held-for-trading investments		-	15
Trade and other receivables, deposits and prepayments	9	7,426	7,447
Bills receivable	10	6,477	7,245
Loan receivables		2,635	1,089
Finance lease receivables		91	482
Amounts due from associates		2	-
Prepaid tax		62	-
Pledged bank deposits		290	493
Restricted bank deposits		479	402
Bank balances and cash		4,336	4,621
		31,339	31,976
Current Liabilities			
Trade and other payables	11(a)	10,921	10,419
Bills payable	12	5,409	5,195
Derivative financial instruments		7	-
Provision for warranty		164	143
Amounts due to associates		87	35
Amount due to a non-controlling shareholder of a subsidiary		102	-
Tax liabilities		125	312
Borrowings		4,979	4,950
Deferred income		247	247
		22,041	21,301
Net Current Assets		9,298	10,675
Total Assets less Current Liabilities		21,018	20,759

Amounts expressed in millions of Hong Kong dollars

	NOTES	2017	2016
Non-current Liabilities			
Other payable	11(a)	-	54
Other financial liabilities	11(b)	230	-
Provision for warranty		73	90
Borrowings		3,013	3,155
Deferred income		726	626
Deferred tax liabilities		163	134
		4,205	4,059
NET ASSETS		16,813	16,700
Capital and Reserves			
Share capital		305	295
Share premium		3,527	2,995
Share option reserve		206	221
Share award reserve		33	55
Shares held for share award scheme		(164)	(206)
Investment revaluation reserve		61	-
Surplus account		38	38
Capital reserve		1,402	1,238
Exchange reserve		(341)	489
Accumulated profits		10,412	9,967
Equity attributable to owners of the Company		15,479	15,092
Non-controlling interests		1,334	1,608
		16,813	16,700

NOTES:

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to 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 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

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

Amendments to HKFRSs that are mandatorily effective for the current year- continued

Amendments to HKAS 1 *Disclosure Initiative* - continued

As regards the structure of the consolidated financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Specifically, information to financial instruments was reordered. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

Other than disclosed above, the application of other amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 40	Transfers of Investment Property[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1 January 2017

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

New and amendments to HKFRSs in issue but not yet effective - continued

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("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 *Financial Instruments: Recognition and Measurement*. 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured at amortised cost, as fair value through profit or loss or FVTOCI, depending on further assessment of the contractual cash flows of the underlying instruments and the Group’s business model. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and debt instruments classified as FVTOCI. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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

New and amendments to HKFRSs in issue but not yet effective - continued

HKFRS 15 *Revenue from Contracts with Customers*

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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts of revenue recognised in respect of sales of goods, while the application of HKFRS 15 is not expected to have a material impact on the timing and amounts of revenue recognised in respect of the Group's sales of properties based on the assessment on the existing contracts with customers. However, the application of HKFRS 15 in the future may have an impact should the Group's contracts with customers in respect of sales of properties involve other additional terms and conditions. In addition, the directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

New and amendments to HKFRSs in issue but not yet effective - continued

HKFRS 16 *Leases* - continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments and related deposits as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of the HKFRS 16 by the Group, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$177 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

New and amendments to HKFRSs in issue but not yet effective - continued

Amendments to HKAS 7 ***Disclosure Initiative*** - continued

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments may result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Other than disclosed above, the directors of the Company anticipate that the application of the other amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

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:

	2017 HK$ million	2016 HK$ million
Manufacture and sales of TV products	29,637	30,112
Manufacture and sales of digital set-top boxes	5,720	5,913
Processing income and sales of LCD modules	834	772
Manufacture and sales of white appliances	2,094	2,366
Property rental income	290	259
Sales of properties	382	366
Others	3,888	2,907
	42,845	42,695

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 operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1.	TV products (PRC market)	- design, manufacture and sale of TVs for the PRC market (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region)
2.	TV products (overseas market)	- design, manufacture and sale of TVs for the overseas market (including Hong Kong Special Administrative Region and Macau Special Administrative Region)
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.

In addition to the above reportable segments, the Group has other operating segments mainly include design, manufacture and sale of lighting products, security system, air conditioning and other electronic products etc., and sales of properties. These operating segments individually do not meet any of the quantitative thresholds for determining reportable segments. Accordingly, these operating segments are grouped as "Others" segment.

Segment information about these businesses is presented below.

3. SEGMENT INFORMATION - continued

Segment revenues and results

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

For the year ended 31 March 2017

	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	Total reportable segments HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Revenue									
Segment revenue from external customers	20,700	8,937	6,554	2,094	290	38,575	4,270	-	42,845
Inter-segment revenue	856	244	29	1,276	36	2,441	1,327	(3,768)	-
Total segment revenue	21,556	9,181	6,583	3,370	326	41,016	5,597	(3,768)	42,845
Results									
Segment results	949	428	481	(35)	201	2,024	(5)	-	2,019
Interest income									399
Unallocated corporate expenses less income									(214)
Gain on bargain purchase									99
Gain on disposal of a subsidiary									44
Finance costs									(359)
Share of results of joint ventures									(4)
Consolidated profit before taxation of the Group									1,984

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	Total reportable segments 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	39,422	3,273	-	42,695
Inter-segment revenue	795	-	905	-	36	1,736	620	(2,356)	-
Total segment revenue	24,924	5,983	7,590	2,366	295	41,158	3,893	(2,356)	42,695
Results									
Segment results	2,028	154	765	190	174	3,311	(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

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 bargain purchase, gain on disposal of a subsidiary, 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 2017

	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	Total reportable segments HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	11,336	2,340	5,783	1,197	1,775	22,431	11,440	-	33,871
Goodwill									521
Interests in associates									79
Interests in joint ventures									43
Unallocated corporate assets									8,545
Total consolidated assets									43,059
Liabilities									
Segment liabilities	4,263	811	3,656	841	1,139	10,710	6,276	-	16,986
Unallocated corporate liabilities									9,260
Total consolidated liabilities									26,246

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	Total reportable segments HK$ million	Others HK$ million	Eliminations HK$ million	Total HK$ million
Assets									
Segment assets	12,989	1,367	5,475	1,162	1,399	22,392	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	12,303	3,633	-	15,936
Unallocated corporate liabilities									9,424
Total consolidated liabilities									25,360

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, investments in debt securities, available-for-sale investments, deferred tax assets, held-for-trading investments, prepaid tax, pledged bank deposits, restricted bank deposits; and bank balances and cash; and

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

3. SEGMENT INFORMATION - continued

Other segment information

For the year ended 31 March 2017

	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	Total reportable segments 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
Capital expenditure on									
- Intangible assets	1	-	-	-	-	1	3	-	4
- Property, plant and equipment	730	13	219	81	38	1,081	350	-	1,431
- Prepaid lease payments for land use rights	-	-	-	-	-	-	16	-	16
Depreciation of property, plant and equipment	273	43	108	94	40	558	117	-	675
Loss on disposal of property, plant and equipment	8	3	-	-	-	11	14	-	25
(Reversal of impairment loss) impairment loss on trade receivables	(1)	(7)	16	-	-	8	7	-	15
Impairment loss recognised in respect of loan receivables	-	-	-	-	-	-	72	-	72
Release of prepaid lease payments on land use rights	4	5	1	1	1	12	13	-	25
Write-down of inventories	82	7	17	5	-	111	6	-	117

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	Total reportable segments 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	-	-	2	1	-	3
Capital expenditure on									
- Intangible assets	-	5	1	-	-	6	1	-	7
- Property, plant and equipment	239	12	300	67	417	1,035	249	-	1,284
- Prepaid lease payments for land use rights	-	-	-	21	-	21	151	-	172
Depreciation of property, plant and equipment	192	4	102	93	42	433	206	-	639
Loss (gain) on disposal of property, plant and equipment	5	-	6	1	-	12	(4)	-	8
Impairment loss (reversal of impairment loss) on trade receivables	4	-	6	(4)	-	6	(4)	-	2
Release of prepaid lease payments on land use rights	4	-	1	1	2	8	11	-	19
Write-down (write-back) of inventories	31	11	(22)	3	-	23	(18)	-	5

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

	Revenue from external customers		Non-current assets (Note 1)	
	2017	2016	2017	2016
	HK$ million	HK$ million	HK$ million	HK$ million
PRC	30,326	33,153	9,636	7,274
Asia region (other than PRC) (Note 2)	5,529	4,321	248	35
America	2,274	1,949	-	-
Europe	1,986	1,300	137	119
Other regions	2,730	1,972	9	5
	42,845	42,695	10,030	7,433

Notes:

1. Non-current assets excluded investments in debt securities, available-for-sale investments, loan receivables, other receivables, finance lease receivables and deferred tax assets.

2. Asia region (other than PRC) includes Vietnam, Indonesia and India etc.

4. OTHER GAINS AND LOSSES

	2017	2016
	HK$ million	HK$ million
Exchange gain, net	175	7
Gain on bargain purchase (note 14(a))	99	-
Gain on disposal of a subsidiary (note 14(e))	44	-
Loss from changes in fair value of derivative financial instruments	(7)	(1)
Gain on disposal of available-for-sale investments	5	-
Loss on disposal of property, plant and equipment	(25)	(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	(4)	(20)
Impairment loss recognised in respect of loan receivables	(72)	-
Impairment loss recognised in respect of trade receivables	(15)	(2)
	200	(55)

5. INCOME TAX EXPENSE

	2017 HK$ million	2016 HK$ million
PRC income tax		
Current year	453	668
Underprovision in prior years	11	21
	464	689
PRC withholding tax	12	-
Hong Kong Profits Tax		
Current year	4	1
(Over)underprovision in prior years	(3)	37
	1	38
Taxation arising in other jurisdictions		
Current year	25	25
Land appreciation tax	8	7
Deferred taxation	(55)	(136)
	455	623

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%.

Land appreciation tax 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 pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. HK$12 million (2016: 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:

	2017 HK$ million	2016 HK$ million
Profit before taxation	1,984	3,150
Tax at applicable tax rate at 15% (Note)	298	473
Tax effect of expenses not deductible for tax purpose	61	39
Tax effect of income not taxable for tax purpose	(70)	(69)
Underprovision in prior years	9	58
Tax effect of tax losses not recognised	98	65
Utilisation of tax losses previously not recognised	(15)	(11)
Tax effect of share of results of associates	-	(1)
Tax effect of share of results of joint ventures	1	(1)
PRC Land appreciation tax	8	7
Tax effect of PRC Land appreciation tax	(1)	(1)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	65	67
Others	1	(3)
Income tax expense for the year	455	623

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%.

6. PROFIT FOR THE YEAR

	2017 HK$ million	2016 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	1	3
Auditors' remunerations	8	9
Cost of inventories recognised as an expense including write-down of inventories of HK$117 million (2016: HK$5 million)	33,935	33,014
Cost of stock of properties recognised as an expense	266	236
Depreciation of property, plant and equipment	675	639
Less: capitalised in inventories	(278)	(253)
	397	386
Operating lease rentals in respect of land and buildings		
- included in selling and distribution expenses	148	141
- included in general and administrative expenses	66	63
	214	204
Release of prepaid lease payments on land use rights	25	19
Rental income from leasing of properties less related outgoings of HK$77 million (2016: HK$82 million)	(213)	(177)
Research costs recognised as an expense (including staff costs of HK$822 million (2016: HK$641 million))		
- included in general and administrative expense	1,449	1,222
Staff costs:		
- Directors' and chief executive's emoluments	75	113
- Related staff costs for research activities	822	641
- Other staffs salaries, bonus, retirement benefits and others	3,326	3,389
	4,223	4,143
Less: capitalised in inventories	(1,298)	(1,346)
	2,925	2,797

7. DIVIDENDS

	2017 HK$ million	2016 HK$ million
Dividends recognised as distribution during the year:		
2016 Final - HK14.4 cents (2016: 2015 final dividend HK11.0 cents) per share	423	314
2017 Interim - HK9.6 cents (2016: 2016 interim dividend HK9.6 cents) per share	287	280
Less: Dividends for shares held by employee's share award scheme	(9)	(4)
	701	590

The final dividend of HK5.0 cents per share, totalling approximately HK$152 million, for the year ended 31 March 2017 is proposed by the directors of the Company on 13 June 2017. 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 2017.

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

	2017 HK$ million	2016 HK$ million
2016 Final dividend (2016: 2015 Final dividend)		
Cash	172	88
Scrip dividends	251	226
	423	314
2017 Interim dividend (2016: 2016 Interim dividend)		
Cash	112	172
Scrip dividends	175	108
	287	280

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:

	2017 HK$ million	2016 HK$ million
Earnings		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	1,310	2,170

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,934,366,082	2,859,251,392
Effect of dilutive potential ordinary shares in respect of outstanding share options	18,071,930	17,829,462
Effect of dilutive potential ordinary shares in respect of outstanding share awards	15,279,517	20,971,427
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,967,717,529	2,898,052,281

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 2017 and 2016.

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 period, and other receivables, deposits and prepayments:

	2017 HK$ million	2016 HK$ million
Within 30 days	2,320	2,160
31 to 60 days	930	698
61 to 90 days	684	554
91 to 365 days	1,253	1,503
Over 365 days	484	375
Trade receivables	5,671	5,290
Prepayment on acquisition of land for property development	-	459
Purchase deposits paid for materials	275	183
Receivables for disposal of a subsidiary (note 14(e))	10	-
VAT receivables	536	641
Other deposits paid, prepayments and other receivables	944	874
	7,436	7,447
Less: Amount due after one year under non-current assets	(10)	-
	7,426	7,447

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$1,528 million (2016: HK$1,781 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 TV 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:

	2017 HK$ million	2016 HK$ million
Overdue:		
Within 30 days	583	762
31 to 60 days	249	259
61 to 90 days	162	186
91 days or over	534	574
	1,528	1,781

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.

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$170 million (2016: HK$178 million) in which there is objective evidence that the recoverability of the amounts become doubtful. The Group does not hold any collateral over these balances.

Movements in the allowance for doubtful debts is as follows:

	2017 HK$ million	2016 HK$ million
Balance at 1 April	178	185
Impairment loss recognised on trade receivables	15	2
Amounts uncollectible written off	(13)	(4)
Exchange realignment	(10)	(5)
Balance at 31 March	170	178

10. BILLS RECEIVABLE

For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The date of issuance of all bills receivable are within six months at the end of the reporting period.

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

	2017 HK$ million	2016 HK$ million
Within 30 days	970	1,147
31 to 60 days	1,289	1,074
61 to 90 days	1,680	1,713
91 days or over	2,118	3,011
Bills discounted to banks with recourse	420	300
	6,477	7,245

The carrying values of the above 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, are recognised in the consolidated financial statements as well.

The maturity dates of bills discounted to banks with recourse are within six months at 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, AND OTHER FINANCIAL LIABILITIES

(a) 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:

	2017 HK$ million	2016 HK$ million
Within 30 days	2,763	2,671
31 to 60 days	1,059	1,015
61 to 90 days	719	829
91 days or over	306	512
Trade payables	4,847	5,027
Accruals and other payables	1,090	1,005
Accrued staff costs	868	974
Accrued selling and distribution expenses	98	91
Customer deposits (Note)	551	25
Deposits received for sales of goods	1,130	1,321
Deposits received for sales of properties	387	132
Membership fee received	214	220
Other deposits received	938	731
Payables for acquisition of subsidiaries (note 14)	68	123
Payables for purchase of property, plant and equipment	34	49
Sales rebate payable	599	731
VAT payable	97	44
	10,921	10,473
Less: Amount due after one year under non-current liabilities	-	(54)
	10,921	10,419

Note: The customer deposits bear interest at 0.35% per annum which are repayable on demand.

As at 31 March 2017, HK$526 million (2016: nil) of the customer deposits is placed by the associate, New Seven Days, which bear interest at 0.35% per annum and is repayable on demand.

(b) Other financial liabilities

During the year, RGB, an indirect non-wholly owned subsidiary of the Company, entered into an agreement with iQiYi, a third party not connected to the Group. Pursuant to the agreement, Shenzhen Coocaa, an indirect non-wholly owned subsidiary of the Company, received capital injection of RMB100 million (equivalent to HK$113 million) from iQiYi on 2 December 2016.

11. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES - continued

(b) Other financial liabilities - continued

Based on the terms of the agreement, RGB and iQiYi agreed that if the shares of Shenzhen Coocaa are not listed on any stock exchange within 60 months after 2 December 2016, and the market value of Shenzhen Coocaa is less than RMB3 billion before listing, iQiYi can require RGB to transfer its investments in Shenzhen Coocaa to equivalent value of investments in Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange, or require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfill the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of HK$2 million has been recognised in respect of this financial liability during the year.

In addition, RGB further entered into another agreement with, a third party not connected to the Group ("Investor"). Pursuant to the agreement, Shenzhen Coocaa received capital injection of RMB100 million (equivalent to HK$113 million) from Investor on 23 January 2017.

Based on the terms of the agreement, RGB and Investor agreed that if there is breach of certain terms of the cooperation agreement signed between Shenzhen Coocaa and an affiliate of Investor, Investor can require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum. As the Group cannot unconditionally avoid the delivery of cash to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of HK$2 million has been recognised in respect of this financial liability during the year.

12. BILLS PAYABLE

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

	2017 HK$ million	2016 HK$ million
Within 30 days	1,018	877
31 to 60 days	1,009	1,036
61 to 90 days	1,016	895
91 days or over	2,366	2,387
	5,409	5,195

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

13. PLEDGE OF ASSETS

At 31 March 2017, the Group's 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$80 million (2016: HK$190 million) and HK$397 million (2016: HK$96 million) respectively;

(b) pledged bank deposits of HK$290 million (2016: HK$493 million);

(c) finance lease receivables of HK$151 million (2016: HK$158 million);

(d) loan receivables of HK$228 million (2016: nil);

(e) trade receivables of HK$4 million (2016: HK$88 million); and

(f) bills receivables of HK$420 million (2016: HK$300 million).

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of Toshiba Indonesia

On 21 December 2015, a sales and purchase agreement was entered into between (i) RGB, an indirect wholly owned subsidiary of the Company, and (ii) Toshiba Lifestyle Products & Services Corporation, in relation to the acquisition of equity interest in Toshiba Indonesia by RGB from the shareholders of Toshiba Indonesia.

Pursuant to the sales and purchase agreement, RGB acquired 100% equity interest in Toshiba Indonesia.

On 30 April 2016, all the conditions precedent under the sales and purchase agreement have been fulfilled. Toshiba Indonesia becomes an indirect wholly owned subsidiary of the Company thereafter.

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(a) Acquisition of Toshiba Indonesia - continued

The total consideration for the acquisition is US$19 million (equivalent to HK$145 million), which is to be satisfied in cash.

Toshiba Indonesia is principally engaged in the business of manufacturing and sales of TVs. Acquisition of Toshiba Indonesia is to accelerate the strategic layout and enhance the ability to protect the supply chain in the Southeast Asian market and increase brand synergy of the Group.

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

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

	HK$ million
Non-current Assets	
Property, plant and equipment	159
Prepaid lease payments on land use rights	154
Current Assets	
Inventories	26
Prepaid lease payments on land use rights	8
Trade and other receivables	52
Bank balances and cash	133
Current Liabilities	
Trade and other payables	(242)
Tax liabilities	(1)
Non-current Liability	
Deferred tax liability	(45)
	244

The trade and other receivables acquired with a fair value of HK$52 million at the date of acquisition had gross contractual amounts of HK$52 million.

The initial accounting for the assets and liabilities acquired in the above business combination with net fair value of HK$244 million have been determined by professional valuations conducted by independent valuer not connected to the Group.

The gain on bargain purchase arising on the acquisition is as follows:

	HK$ million
Consideration	145
Less: Fair value of net assets acquired	(244)
Gain on bargain purchase	(99)

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(a) Acquisition of Toshiba Indonesia – continued

The gain on bargain purchase arose from the Group's acquisition of the entire interest in Toshiba Indonesia. The gain from a bargain purchase on acquisition was mainly attributable to the fair value of land and building that resulted in an excess of total fair value of identifiable assets and liabilities acquired over the consideration, which was determined with reference to the net book value, under which the transaction was completed within a short period of time.

Net cash outflow arising on acquisition is as follows:

	HK$ million
Cash consideration paid up to 31 March 2017	(145)
Less: bank balances and cash acquired	133
Net cash outflow for the year	(12)

During the year ended 31 March 2017, Toshiba Indonesia contributed HK$650 million and HK$4 million to the revenue and profit of the Group.

Had the acquisition been completed on 1 April 2016, total group revenue for the year ended 31 March 2017 would have been HK$42,887 million, and profit for the year ended 31 March 2017 would have been HK$1,526 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

During the year ended 31 March 2017, Toshiba Indonesia is renamed as PT. Skyworth Industry Indonesia.

(b) Acquisition of Caldero Limited

On 28 February 2017, a sales and purchase agreement was entered into between (i) Caldero Holdings, a subsidiary of the Company, and (ii) certain individuals not connected to the Group ("Sellers"), in relation to the acquisition of equity interest in Caldero Limited by Caldero Holdings from the Sellers.

Pursuant to the sales and purchase agreement, (i) Caldero Holdings acquired 100% equity interest in Caldero Limited from the Seller, and (ii) the Group agreed to transfer 20% equity interests in Caldero Holdings to the Sellers.

On 31 March 2017, all the conditions precedent under the sales and purchase agreement have been fulfilled. Caldero Limited becomes an indirect 80% owned subsidiary of the Company thereafter.

The total consideration for the acquisition is US$2 million (equivalent to HK$16 million), which is to be satisfied in cash.

Caldero Limited is principally engaged in the business of provision of consultancy services on digital set-top boxes business. The acquisition of Caldero Limited is to enable the Group to develop the digital set-top box business in the United Kingdom.

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(b) Acquisition of Caldero Limited - continued

Consideration transferred

	HK$ million
Cash consideration payable within one year	8
Cash consideration paid	8
	16

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

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

	HK$ million
Non-current Asset	
Property, plant and equipment	2
Current Assets	
Trade and other receivables	3
Bank balances and cash	18
Current Liabilities	
Trade and other payables	(21)
Tax liabilities	(1)
	1

The trade and other receivables acquired with a fair value of HK$3 million at the date of acquisition had gross contractual amounts of HK$3 million.

The initial accounting for the assets and liabilities acquired in the above business combination with net fair value of HK$1 million have been determined by professional valuations conducted by independent valuer not connected to the Group.

The goodwill arising on the acquisition is as follows:

	HK$ million
Consideration	16
Less: Fair value of net assets acquired	(1)
Goodwill arising on acquisition	15

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(b) Acquisition of Caldero Limited - continued

Goodwill arose in the acquisition of Caldero Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Caldero Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

Net cash inflow arising on acquisition is as follows:

	HK$ million
Cash consideration paid up to 31 March 2017	(8)
Less: bank balances and cash acquired	18
Net cash inflow for the year	10

During the year ended 31 March 2017, Caldero Limited did not contribute any revenue and profit of the Group.

Had the acquisition been completed on 1 April 2016, total group revenue for the year ended 31 March 2017 would have been HK$42,857 million, and profit for the year ended 31 March 2017 would have been HK$1,532 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

(c) Acquisition of Strong Media

On 10 July 2015, a sales and purchase agreement was entered into between (i) Smart Choice, an indirect non-wholly owned subsidiary of the Company, and (ii) the shareholders of Strong Media, in relation to the acquisition of equity interest in Strong Media by Smart Choice from the shareholders of Strong Media.

Pursuant to the sales and purchase agreement, (i) Smart Choice acquired 80% equity interest in Strong Media in phase 1, and (ii) Smart Choice has an option to acquire remaining 20% equity interest in Strong Media in phase 2, upon satisfaction of certain conditions as set out in the agreement. As at 31 March 2017, the directors of the Company are uncertain for the fulfilment of conditions as set out in sales and purchase agreement for phase 2.

During the year ended 31 March 2016, all the conditions precedent under the sales and purchase agreement for phase 1 has been fulfilled. Strong Media becomes an indirect non-wholly owned subsidiary of the Company thereafter.

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(c) Acquisition of Strong Media - continued

The total consideration for phase 1 and phase 2 of the acquisition is EUR30 million (equivalent to HK$262 million), which is to be satisfied in cash. 80% of the total consideration (i.e. HK$209 million) is payable for the phase 1.

Strong Media and its subsidiaries are principally engaged in the business of sale and distribution of reception facilities of digital TVs.

Consideration to be transferred

	2017 HK$ million	2016 HK$ million
Cash consideration:		
Due within one year	60	69
Due after one year	-	54
Total	60	123

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

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

	HK$ million
Non-current Assets	
Property, plant and equipment	8
Intangible assets	109
Current Assets	
Inventories	127
Trade and other receivables	108
Pledged bank deposits	13
Bank balances and cash	55
Current Liabilities	
Trade and other payables	(170)
Bank borrowings	(100)
Tax liabilities	(3)
Non-current Liability	
Bank borrowings	(3)
	144

The trade and other receivables acquired with a fair value of HK$108 million at the date of acquisition had gross contractual amounts of HK$110 million. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to HK$2 million.

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(c) Acquisition of Strong Media - continued

The initial accounting for the assets and liabilities acquired in the above business combination with net fair value of HK$144 million have been determined professional valuations conducted by independent valuer not connected to the Group.

The goodwill arising on acquisition of the above business is as follows:

	HK$ million
Consideration	209
Less: Net assets acquired	(144)
Plus: Non-controlling interests	30
Goodwill arising on acquisition	95

Net cash outflows arising on acquisition is as follows:

	2017 HK$ million	2016 HK$ million
Cash consideration paid	(149)	(86)
Less: bank balances and cash acquired	55	55
	(94)	(31)

During the year ended 31 March 2016, Strong Media and its subsidiaries contributed HK$961 million and HK$48 million to the revenue and profit of the Group respectively.

Had the acquisition been completed on 1 April 2015, total group revenue for the year would have been HK$43,027 million, and profit for the year would have been HK$2,525 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future results.

As at 31 March 2017 and 31 March 2016, the directors of the Company are uncertain for the fulfilment of conditions as set out in sales and purchase agreement for phase 2. The directors of the Company considered there is no material change in the value of the remaining 20% equity interest in Strong Media up to the end of the reporting period.

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(d) Acquisition of assets through acquisition of STLG

On 20 June 2015, the Group acquired 100% registered capital of STLG at a cash consideration of RMB235 million (equivalent to HK$292 million). STLG is inactive prior to the acquisition and its principal assets held are land and factory in PRC. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	HK$ million
Prepaid lease payments on land use rights	46
Property, plant and equipment	244
Bank balances and cash	3
Other payables	(1)
	292
Satisfied by:	
Cash consideration paid	292
Net cash outflow arising on acquisition:	
Cash consideration paid	(292)
Bank balances and cash acquired	3
	(289)

(e) Disposal of New Seven Days

On 28 February 2017, the Group disposed 7% equity interest in a non-wholly owned subsidiary, New Seven Days, which carried out technological and network promotion services and sales of consumer electronic products to certain individuals. Immediately after the disposal, the Group's remaining voting power on New Seven Days is 49%. As a result, the Group is no longer in a position to exercise control but significant influence over New Seven Days.

The fair value of the Group's retained interest in New Seven Days of approximately HK$68 million as at 28 February 2017 has been regarded as cost of interest in associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected with the Group.

	HK$ million
Consideration receivables due after one year	10

14. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY - continued

(e) Disposal of New Seven Days - continued

The assets and liabilities over which control was lost at the date of disposal are as follow:

	HK$ million
Non-current Asset	
Property, plant and equipment	3
Current Assets	
Inventories	166
Trade and other receivables	82
Bank balances and cash	575
Current Liabilities	
Trade and other payables	(67)
Bills payable	(700)
	59

The gain on disposal of a subsidiary arising on the disposal is as follows:

	HK$ million
Consideration	10
Add: Fair value of retained interest of 49% in New Seven Days	68
Less: Net assets disposed of	(59)
Add: Non-controlling interests	26
Less: Cumulative exchange loss reclassified to profit or loss	(1)
Gain on disposal of New Seven Days	44

Of the gain of HK$44 million, HK$39 million is attributable to recognising the residual interest in New Seven Days at fair value at the date control is lost, which is the difference between the fair value of residual interest in New Seven Days of HK$68 million and the carrying amount of interest retained in New Seven Days of HK$29 million.

Net cash outflow arising on disposal is as follows:

	HK$ million
Cash consideration received up to 31 March 2017	-
Less: bank balances and cash disposed	(575)
Net cash outflow for the year	(575)

BUSINESS PERFORMANCE REVIEW

Overall Business Review

For the Reporting Year, the consolidated revenue of the Group reached HK$42,845 million (2016: HK$42,695 million), representing an increase of 0.4% when compared with the Previous Year. The profit for the year reached HK$1,529 million (2016: HK$2,527 million), representing a decrease of 39.5%, on a yearly basis. Gross profit margin was 20.0% (2016: 21.9%), decreased by 1.9 percentage points when compared with the Previous Year.

For the Reporting Year, the overseas TV sales volume were increased by 57%, that drove the total TV sales volume to more than 16 million units and proven to be the highest record in the historical trend. In particular, the 4K Smart TV sales in the domestic market rose by 54% for the year on year basis.

During the reporting period, the Group's TV sales volume by product and geographical segment are analysed as follow:

	April 2016 to March 2017 *Unit('000)*	**April 2015 to March 2016** *Unit('000)*	**April 2016 to March 2017 vs. April 2015 to March 2016** ***Increase/(Decrease)***
China Market	**9,339**	**10,036**	**(7%)**
which comprises:			
- Smart TV (4K)	***4,291.2***	***2,793.8***	***54%***
- Smart TV (Non-4K)	***3,632.1***	***4,249.3***	***(15%)***
- Other Flat Panel TV	***1,415.2***	***2,992.8***	***(53%)***
Overseas Market	**6,941**	**4,410**	**57%**
which comprises:			
- LED LCD TV	***6,940.5***	***4,406.9***	***57%***
- Other TV	***-***	***3.4***	***(100%)***
Total TV sales volume	**16,280**	**14,446**	**13%**

The TV business unit in China market recorded the following numbers of users using Skyworth Smart TV as at 31 March 2017:

- Accumulated activated users for Internet TV: 22,175,872
- Weekly active users for Smart TV: 10,507,126
- Daily active users for Smart TV: 8,616,214

During the Reporting Year, the Group continuously explores the overseas branding and distribution channel advantages through merger and acquisitions projects, while strengthening its own brand in the overseas market in terms of the local market share as well as the brand awareness. These strategies enable to further reinforce the Group's position in overseas markets, in returned with achievement of impressive increase on the overseas market turnover. Although the mainland China's market was slowing down due to the economic downturn while the market demand was in stagnation, and the TV is in a state of stock competition, the Group's management was fully aware of the customers' needs and demands for the high-end and intelligent products. The Company made timely adjustments to the product mix and composition within the smart-community and smart-city fields. Consequently, the strategies reduced the decrease in turnover in comparison of the same period on last year within mainland China market.

Business Review by Geographical and Product Segments

Mainland China Market

For the Reporting Year, sales in mainland China market accounted for 70.8% of the Group's total revenue, a 8.5% drop from HK$33,153 million in the Previous Year to HK$30,326 million. The corresponding gross profit margin was 22.3% (2016: 23.9%), representing a decrease by 1.6 percentage points year-on-year.

For the PRC Market, TV sales accounted for 68.3% of the total PRC revenue, while sales of digital set-top boxes and LCD modules and white appliances accounted for 13.6% and 6.0%, 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 12.1%.

TV products

During the Reporting Year, the Group uphold on its technological innovation while focus on promoting high-margin and large-sized smart products throughout the slowdown in the Chinese TV market demand and the intensified market competition in overall. The 4K Smart TV sales volume accounted for a substantial increase to 45.9% within the China mainland market, which indicated an increment of 53.6% year on year. Thus, the implications diminished the impacts from the declining of average selling price. As the result, the TV products in the mainland China market sales stayed comparable to last year. The TV products turnover recorded as HK$20,700 million (2016: HK$24,129 million), which was dropped by 14.2% from the Previous Year.

The TV industry development is gradually aligning with the trend of intelligent integration in combination of the expansion of e-commerce market that offered introduction of a "hardware + content + service" business model, implanted in its interconnected subsidiary – Shenzhen Coocaa Network Technology Co. Limited (an indirect non-wholly owned company). A leading online video platform company "IQiYi" invests a total sum of RMB 150 million in Shenzhen Coocaa to engage a long-term collaboration on developing entertainment platform within the electronic commerce market. The business collaboration will favor in promoting the TV business development in content while consolidate its growth momentum. In the Reporting Year, Coocaa TV brand sales volume accounted for 8.3% within the mainland China's TV market. In overall, the related film and TV, games, advertising, education and the other content revenue were accounted to HK$166 million.

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$4,110 million (2016: HK$3,990 million), representing an increase of 3.0% or HK$120 million when compared with the Previous Year. The revenue of digital set-top boxes represented 79.7% or HK$3,276 million.

In the era of rapid development within internet video such as IPTV and OTT, the cable operators further strengthen the broadband network construction and user development through the combination of "TV + broadband". This enhanced the development of smart set-top box allowing a diversified business to achieve revenue growth and enrich its business value. The Group involved in various project developments and supply for the carrier set-top boxes within the high-definition interactive terminal replacement in several provinces and autonomous regions. In substance, the Company relied heavily on its comprehensive hardware and software development capabilities and the competencies to offer full range of radio and TV terminal products. During the reporting period, the acceleration of broadband adoption that had speed up the video business and promote the development of broadband strategy to integrate across IPTV, 4K video, smart city, Hence, it resulted in vigorous cultivation of 4K, IPTV + OTT's set-top box users, which also increased the overall market share within the IPTV + OTT products in the top three cable operators therefore driven up the sales turnover for digital set-top box.

White Appliances

For the Reporting Year, the revenue of white appliances in mainland China market recorded HK$1,829 million (2016: HK$2,156 million), representing a decrease of 15.2% or HK$327 million.

The White Appliances Business has faced an even more competing market for the year, yet it is challenge to make further breakthroughs in the market by maintaining the traditional washing machine and refrigerator product categories and features. Also, it's difficult to solely rely on competing in price war in order to obtain further market shares within this industry. Therefore, the Group strongly believed that the ability to attract consumer preferences will depends on the organizational capabilities to provide differentiated features and quality products. Therefore, the white appliances industry continued to improve its manufacturing capacity, quality process and continue to improve the product development capabilities and its technical standards. During the Reporting Year, the Company has introduced i-DD inverter washing machine, i-GEEK inverter refrigerator and Skyworth ice bar. Meanwhile, the Group focuses its attention on the changing consumption structure in the online sales channels and makes timely adjustment for the online product mix structure. The adaptation will align in accordance to the internet consumer shopping habit and launch customised models that will contribute to increase the sales turnover.

Overseas Market

For the Reporting Year, revenue in overseas markets accounted for HK$12,519 million (2016: HK$9,542 million), equivalent to 29.2% of overall revenue (2016: 22.3%), soared by HK$2,977 million or 31.2%. The gross profit margin was 14.5% (2016: 13.2%), representing an increase of 1.3 percentage points when compared with the Previous Year.

TV products

For the Reporting Year, the revenue of overseas TV products was HK$8,937 million (2016: HK$5,983 million), equivalent to 71.4% (2016: 62.7%) of the total overseas revenue and grew by 49.4%. The sales volume of LED LCD TV in overseas reached to 6.94 million sets, grew by 57.5% when compared with the Previous Year. The gross profit of TV products has showed a remarkable growth of 1.7 percentage point to 11.8% (2016: 10.1%).

During the Reporting Year, the Group acquired Toshiba's TV business in Indonesia and obtained the licensing authorization. In such acquisition, Skyworth exploited Toshiba’s existing supply chain within the Southeast Asian market, and build up its foundation in Indonesia to expand the international arena across the Southeast Asian market. Meanwhile, this brings acquisition synergies to utilise the distribution channels with a high market share and well-known brand reputation. A dual-brand marketing strategy of "Skyworth + Toshiba" was implemented in the Southeast Asian market, whereas another dual-brand strategy of "Skyworth + Metz" was implemented to speed up the European market. Such expansion speed up the development pace in the regional markets, and the turnover in the overseas market recorded a significant increase. Conversely, the Group focused on emerging the market share expansion on the high-end TV, as the result, the sales of LED LCD TV accounted for 100.0%.

Over the past years, the Group has robustly promoted its own brand through the set up of overseas subsidiaries and acquisition. Also, the product mix structure was constantly adjusted to target the localised market demand for various markets. The adjustments involved timely introduction of diversified products in line with market demand and continued to improve the comprehensive distribution channels. Therefore, those strategies continued to strengthen its own brand awareness in the overseas market. During the Reporting Year, the overseas market turnover for its own brand was increased by 23.8%.

Digital set-top boxes and LCD modules

The revenue of overseas digital set-top boxes and LCD modules for the Reporting Year has decreased by 9.3% to HK$2,444 million (2016: HK$2,695 million).

During the Reporting Year, the Group further strengthened the internationalisation strategy of digital set-top boxes. The global supply chain and production system were gradually established and improved, that had realised rational resource allocation in both overseas and local markets, along with the establishment of overseas after-sales service team. The Group’s strategy was aligned to the demand for global digitalisation, and continued its offshore development in various overseas markets. Despite the market share maintenance in the traditional markets such as India, Asia Pacific, and Africa, the Group has been able to achieve breakthroughs in additional markets. For instance, Skyworth engaged as a main supplier in the Brazilian government project. Also, Skyworth had completed the deliverables for two Mexican projects with USA satellite operators and Mexican operators. The Group will allocate more resources to develop our international strategy, in order to seek the appropriate strategic position whilst the international market starts to recover and thus lay for the future sales growth.

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 91.0% (2016: 92.0%) 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	
	2017 (%)	2016 (%)
Asia	44	45
America	18	20
Europe	16	14
Middle East	13	13
Africa	9	8
	100	100

Gross Profit Margin

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

During the Reporting Year, the market demand for TVs in the mainland China market was slowdown that had directly affected the average selling price of TVs. Such impacts coupled with the steadily cost increment of LCD screen that had positioned the overall gross margin under pressure. The Group had stringently control its cost by all means and committed to strengthen its product innovation and manufacturing quality. The gross margin remained at a relatively stable level and accountable to the accelerated progress on introduction of new products and proactively optimised its product mix such as large screen and 4K Smart TV. During the Reporting Year, the overseas market turnover in proportion to total turnover accounted for an increase of 6.9 percentage points in comparison to the same period last year. Such increased proportion on overseas market turnover had correspondingly affected the overall gross margin directly. However, along the rapid promotion of high-end products in overseas, the gross margin of overseas markets will continue to improve.

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 increased by HK$335 million or 7.0% from HK$4,756 million in Previous Year to HK$5,091 million. The S&D expenses to revenue ratio increased by 0.8 percentage points from 11.1% to 11.9%.

The Group's general and administrative ("G&A") expenses for the Reporting Period rose by HK$283 million or 11.0% from HK$2,581 million in Previous Year to HK$2,864 million. The G&A expenses to revenue ratio increased by 0.7 percentage points from 6.0% to 6.7%, mainly attributable to developing more resources in research and development ("R&D") expenses for the implementation of the "Skyworth Smart Home". During the Reporting Year, the Group invested heavily in research and development, which lead to an increment of R&D expenses by HK$227 million or 18.6%. Such R&D expenses were used to develop different functional features for high intelligence, energy saving, healthy quality products. For example, the "AWE Appliance Product Award" was granted for innovations on OLED TV, i-DD inverter washing machine and i-GEEK inverter refrigerator.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group has 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$9,298 million (2016: HK$10,675 million), decreased by HK$1,377 million or 12.9% from 31 March 2016. Bank balances and cash amounted to HK$4,336 million (2016: HK$4,621 million), representing a decrease of HK$285 million, compared with that as at 31 March 2016. Restricted bank deposits amounted to HK$479 million (2016: HK$402 million), which was increased by HK$77 million in comparison to last year. Pledged bank deposits amounted to HK$290 million (2016: HK$493 million) decreased by HK$203 million.

At the end of the Reporting Year, secured assets included HK$290 million pledged bank deposits (2016: HK$493 million), finance lease receivables of HK$151 million (2016: HK$158 million), trade receivables of HK$4 million (2016: HK$88 million), loan receivables of HK$228 million (2016: nil), bills receivables of HK$420 million (2016: HK$300 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$477 million (2016: HK$286 million).

The Group has always been adhering to prudent financial management principles and committed to maintain a healthy financial position. At the end of the Reporting Year, total borrowings amounted to HK$7,992 million (2016: HK$8,105 million). The debt to equity ratio revealed as 47.5% (2016: 48.5%). Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY

The major investments and revenue streams of the Group are generated from mainland China. The majority of assets and liabilities are denominated in RMB; others are denominated in HK$, US$ and EUR. The Group uses general trade financing to fulfill the needs in operating cash flow. In order to reduce and balance finance costs, the Group utilised currency-based and income-based financial management tools introduced by banks.

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. As the United States is entering a rate hike cycle, it is expected that RMB will slightly depreciate in a steady pace. Since RMB is the major transaction currency of the Group, the Group is not expected to expose to a significant exchange rate risk due to the fluctuation of RMB. In addition, the Group has been reducing loans and payables denominated in US$, while promoting RMB as the overseas procurement settlement currency, so as to minimise its foreign exchange exposure. During the Reporting Year, the Group recognised HK$175 million net foreign exchange gains (2016: HK$7 million) associated with general operation.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, in order to expand production scale and improve the capacity of smart products, construction projects and plant expansion were invested by the Group amounted to HK$921 million (2016: HK$909 million). The Group also spent approximately HK$510 million (2016: HK$375 million) on production machinery, ancillary equipment and improvement of facilities in production plants. For the sake of the Group’s strategic development, as well as to enhance the production capacity and efficiency, it plans to invest HK$744 million (2016: HK$669 million) on property, plant and equipment, factory buildings, office premises and equipment.

On 5 December 2016, the Group has, through its PRC subsidiary, won a bid at the tender for a land in Shenzhen Qianhai (Site areas: 12,495.87 sq.m), at a consideration of RMB1,670 million. The Group has signed a confirmation letter and a land use rights transfer agreement with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The land is intended to develop as a commercial building, mainly used as the Group’s international headquarter office, with estimated construction cost approximately RMB560 million. The Directors are of the view that this land acquisition is in the interests of the Group and its shareholders as a whole and the terms thereof are on normal commercial terms and are fair and reasonable.

During the Reporting Year, the Group executed its internationalisation strategy by completing the acquisition of 100% share capital in PT. Toshiba Consumer Products Indonesia (now known as PT. Skyworth Industry Indonesia) within the Reporting Year, through its indirect wholly-owned subsidiary RGB. Upon completion of the acquisition, the Group will accelerate its strategic positioning in the Southeast Asian market. This will further strengthen the supply chain capabilities in the Southeast Asian market and develop the brands synergies. This acquisition provided the Group with a more comprehensive revenue source portfolio, at the same time disperse the business risks.

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

At the end of the Reporting Year, the Group had over 38,000 (2016: 38,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 36 branches and 208 sales offices. The Group highly emphasizes 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 2016/17 annual report.

OUTLOOK

The management of the Group considers that business diversification is the pathway to success in the future. Therefore, entering into various fields such as smart production and smart home will be the future development trend of the industry. The Group has deployed its business transformation and upgrade through our 3 major strategies - “intelligence”, “delicacy” and “international”. In the delicacy strategies, the Group will reduce cost by applying smart production engineering and improve the efficiency of supply chain integration, so as to enhance our products quality, efficiency and competitiveness. Through the development of smart production, the Group will continue to enhance our corporate brand value, while pursuing a long-term development in intelligent product strategy and international market strategy. In the next 3 years, the Group will create more cutting-edge smart products or business units. In our future plan, the Group will form a domestic sales company and an international sales company. The domestic sales company will make use of our existing sales channels, via “Online + Offline”, “Hardware + Content” and “Smart + Internet” strategy, to develop our unique specialty stores with a full product range and strengthen our marketing strategy in domestic network. In addition, based on the market environment, the Group will develop our international sales channel through acquisition of the local distribution channels and brands. The Group will develop our innovative marketing model to further sharpen our market competitive edge.

The Group expects the sales volume of TV products to meet 19 million units in 2017/18, inclusive of 10 million units (comprises 5.50 million 4K Smart TVs) in mainland China market and 9 million units in overseas markets.

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 committed to maintaining 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 as set out in the CG Code, save and except for the code provisions A.6.7 and E.1.2 of the CG Code as the Chairman of the Board and 2 Independent Non-Executive Directors (who were the chairperson of the Remuneration Committee and the Nomination Committee respectively) were unable to attend the annual general meeting of the Company held on 28 July 2016 as they had other engagement.

AUDIT COMMITTEE

The Audit Committee was established by the Board since the listing of the shares of the Company on the Stock Exchange on 7 April 2000. The Audit Committee currently comprises 3 Independent Non-Executive Directors. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Li Ming.

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 amendments made to the CG Code with 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 are available 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 2017 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 1,500,000 shares of the Company in the Stock Exchange at a total consideration of HK$6,820,480 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 HK5.0 cents per share of the Company (Previous Year: HK14.4 cents), totaling approximately HK$152 million (Previous Year: HK$423 million) as at the date of this announcement to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 9 August 2017 (Wednesday). Shareholders of the Company may elect to receive final dividend in the form of new shares or cash, or partly in new shares and partly in cash.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 August 2017 (Monday) to 9 August 2017 (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 2017 (Wednesday), 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 4 August 2017 (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 2016/17 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 of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the shareholders of the Company and business associates for their continued 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
Lai Weide
Chairman of the Board

Hong Kong, 13 June 2017

GLOSSARY

"Audit Committee"	The audit committee of the Company
"Board"	The board of the Company
"Caldero"	Caldero Limited, a company incorporated in the United Kingdom
"Caldero Holdings"	Caldero Holdings Limited, a company incorporated in the United Kingdom
"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, a company incorporated in Bermuda
"Director(s)"	Director(s) of the Company
"EUR"	Europe dollars, the lawful currency of the Eurozone
"Executive Director(s)"	Executive director(s) of the Company
"Group"	The Company together with its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Non-Executive Director(s)"	Independent non-executive director(s) of the Company
"India"	Republic of India
"Indonesia"	Republic of Indonesia
"iQiYi"	北京愛奇藝科技有限公司, a company established in the PRC
"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
"Nomination Committee"	The nomination committee of the Company
"New Seven Days"	北京新七天電子商務技術股份有限公司, a company established in the PRC
"Non-Executive Director(s)"	Non-executive director(s) of the Company
"OLED"	Organic Light Emitting Diode
"OTT"	Over-the-top
"PRC" or "China"	People's Republic of China
"Previous Year"	Year ended 31 March 2016
"Remuneration Committee"	The remuneration committee of the Company
"Reporting Year"	Year ended 31 March 2017
"RGB"	Shenzhen Chuangwei-RGB Electronics Co., Ltd, a company established in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Share Award Scheme"	Share award scheme approved and adopted by the Board on 24 June 2014
"Shenzhen Coocaa"	Shenzhen Coocaa Network Technology Company Limited, a company established in the PRC
"Skyworth Digital"	Skyworth Digital Co., Ltd, a company established in the PRC
"Smart Choice"	Smart Choice Store Company Limited, a company incorporated in Hong Kong
"STLG"	意法半導體製造（深圳）有限公司, a company established in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strong Media"	Strong Media Group Limited, a company incorporated in the British Virgin Islands
"Toshiba Indonesia"	PT. Toshiba Consumer Products Indonesia, a company incorporated in the Indonesia

"TV"	Television
"UHD"	Ultra-high definition
"United Kingdom"	United Kingdom of Great Britain and Northern Ireland
"US$"	United States dollars, the lawful currency of USA
"USA"	United States of America
"VAT"	Value-added-tax
"Vietnam"	Socialist Republic of Vietnam
"%"	Per cent

As at the date of this announcement, the Board comprises Mr. Lai Weide as Chairman of the Board, Mr. Liu Tangzhi as Executive Director and the chief executive officer, Ms. Lin Wei Ping and Mr. Shi Chi as Executive Directors; Mr. Yang Dongwen as Non-Executive Director; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as Independent Non-Executive Directors.