SKYWORTH

# 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 PERIOD RESULTS FOR THE 9 MONTHS ENDED 31 DECEMBER 2018

**SKYWORTH DIGITAL HOLDINGS LIMITED (the "Company", together with its subsidiaries referred to as the "Group") is an investment holdings company with subsidiaries principally engaged in 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 Period:

- Revenue amounted to RMB30,192 million (73.8% of which was recorded from sales in the mainland China market). The revenue of the Previous Year amounted to RMB39,271 million.
- Sales of TV products and digital set-top boxes and LCD modules accounted for 58.7% and 18.5% of the Group's total revenue, respectively; compared to 68.7% and 17.9% in the Previous Year, respectively.
- Gross profit achieved RMB5,658 million, while the gross profit margin was 18.7%. The gross profit margin of the Previous Year was 16.7%.
- Profit for the period and profit for the period attributable to owners of the Company amounted to RMB553 million and RMB420 million, respectively.
- The Board recommended the distribution of a final dividend of 6.0 HK cents per share of the Company, payable in cash. This represents a dividend payout ratio of 37.4%.

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated results of the Group for the nine months ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the twelve months ended 31 March 2018 (the "**Previous Year**").

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

Amounts expressed in millions of Renminbi (except for earnings per share data)

| | NOTES | Nine months ended 31 December 2018 | Year ended 31 March 2018 |
|---|---|---|---|
| Revenue | | | |
| Sales of goods | | 29,736 | 38,795 |
| Rental | | 272 | 294 |
| Interest | | 184 | 182 |
| Total revenue | 3 | 30,192 | 39,271 |
| Cost of sales | | (24,534) | (32,726) |
| Gross profit | | 5,658 | 6,545 |
| Other income | | 628 | 1,139 |
| Other gains and losses | 5A | (13) | (178) |
| Impairment loss recognised in respect of financial assets | 5B | (277) | (77) |
| Selling and distribution expenses | | (2,862) | (3,873) |
| General and administrative expenses | | (2,160) | (2,472) |
| Finance costs | | (335) | (322) |
| Share of results of associates | | 9 | 10 |
| Share of results of joint ventures | | - | (1) |
| Profit before taxation | | 648 | 771 |
| Income tax expense | 6 | (95) | (272) |
| Profit for the period/year | 7 | 553 | 499 |
| **Other comprehensive expense** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | (132) | (131) |
| Fair value loss on available-for-sale financial assets | | - | (16) |
| Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale | | - | (14) |
| | | (132) | (161) |
| *Items that will not be reclassified to profit or loss:* | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI") | | (1,763) | - |
| Income tax relating to item that will not be reclassified subsequently | | 264 | - |
| | | (1,499) | - |
| Other comprehensive expense for the period/year | | (1,631) | (161) |
| Total comprehensive (expense) income for the period/year | | (1,078) | 338 |

| | NOTE | Nine months ended 31 December 2018 | Year ended 31 March 2018 |
|---|---|---|---|
| Profit for the period/year attributable to: | | | |
| Owners of the Company | | 420 | 459 |
| Non-controlling interests | | 133 | 40 |
| | | 553 | 499 |
| Total comprehensive (expense) income for the period/year attributable to: | | | |
| Owners of the Company | | (1,199) | 53 |
| Non-controlling interests | | 121 | 285 |
| | | (1,078) | 338 |
| **Earnings per share (expressed in Renminbi cents)** | | | |
| Basic | 9 | 13.85 | 15.21 |
| Diluted | 9 | 11.63 | 13.81 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

Amounts expressed in millions of Renminbi

| | NOTE | As at 31 December 2018 | As at 31 March 2018 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | 6,571 | 6,344 |
| Deposits paid for purchase of property, plant and equipment | | 360 | 198 |
| Investment properties | | 4 | 4 |
| Prepaid lease payments on land use rights | | 2,331 | 2,417 |
| Goodwill | | 384 | 422 |
| Intangible assets | | 92 | 94 |
| Interests in associates | | 79 | 68 |
| Interests in joint ventures | | 22 | 39 |
| Equity instruments at fair value through profit and loss ("FVTPL") | | 463 | - |
| Equity instruments at FVTOCI | | 1,494 | - |
| Available-for-sale investments | | - | 1,155 |
| Loan receivables | | 41 | 2 |
| Deferred tax assets | | 555 | 398 |
| | | 12,396 | 11,141 |
| **Current Assets** | | | |
| Inventories | | 6,031 | 5,202 |
| Stock of properties | | 866 | 1,125 |
| Prepaid lease payments on land use rights | | 50 | 67 |
| Investments in debt securities | | 158 | 91 |
| Available-for-sale investments | | - | 82 |
| Financial assets at FVTPL | | 37 | - |
| Held-for-trading investments | | - | 32 |
| Trade receivables | 10 | 16,416 | 12,417 |
| Other receivables, deposits and prepayments | | 2,545 | 1,924 |
| Loan receivables | | 2,730 | 2,673 |
| Finance lease receivables | | 128 | 139 |
| Amounts due from associates | | - | 26 |
| Prepaid tax | | 31 | 40 |
| Pledged bank deposits | | 123 | 334 |
| Restricted bank deposits | | 335 | 514 |
| Bank balances and cash | | 3,314 | 7,294 |
| | | 32,764 | 31,960 |

| | NOTES | As at 31 December 2018 | As at 31 March 2018 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 10,456 | 10,052 |
| Bills payables | 12 | 6,182 | 5,448 |
| Derivative financial instruments | | 3 | 2 |
| Contract liabilities | | 1,443 | - |
| Provision for warranty | | 143 | 138 |
| Amounts due to associates | | - | 23 |
| Amount due to a non-controlling shareholder of a subsidiary | | 50 | 60 |
| Tax liabilities | | 117 | 91 |
| Borrowings | | 5,590 | 6,165 |
| Deferred income | | 144 | 250 |
| | | 24,128 | 22,229 |
| **Net Current Assets** | | 8,636 | 9,731 |
| **Total Assets less Current Liabilities** | | 21,032 | 20,872 |
| **Non-current Liabilities** | | | |
| Other financial liabilities | | 173 | 163 |
| Provision for warranty | | 80 | 66 |
| Borrowings | | 734 | 1,311 |
| Corporate bonds | | 1,990 | 1,990 |
| Deferred income | | 522 | 644 |
| Deferred tax liabilities | | 178 | 154 |
| | | 3,677 | 4,328 |
| **NET ASSETS** | | 17,355 | 16,544 |
| **Capital and Reserves** | | | |
| Share capital | | 308 | 308 |
| Reserves | | 15,162 | 14,614 |
| Equity attributable to owners of the Company | | 15,470 | 14,922 |
| Non-controlling interests | | 1,885 | 1,622 |
| | | 17,355 | 16,544 |

**NOTES:**

1. CHANGE OF FINANCIAL YEAR END AND PRESENTATION CURRENCY

During the current financial period, the financial year end date of the Company was changed from 31 March to 31 December to align with the financial year end date of the Company's principal operating subsidiaries established in the PRC for which their accounts are statutorily required to be prepared with a financial year end date of 31 December. Accordingly, the consolidated financial statements for the current period covers the nine months ended 31 December 2018. The corresponding comparative figures shown for the consolidated profit or loss and other comprehensive income and related notes cover a twelve months period from 1 April 2017 to 31 March 2018 and therefore may not be comparable with amounts shown for the current period.

In additions, the presentation currency for the consolidated financial statements of the Group was changed from Hong Kong Dollar ("HK$") to Renminbi ("RMB") because (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency will also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB on the consolidated financial statements of the Group, which is unrelated to the operations of the Group and is beyond its control.

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

<u>New and amendments to HKFRSs that are mandatorily effective for the current period</u>

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) - Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

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

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

**2.1 HKFRS 15 *Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- manufacture and sales of television ("TV") products;
- manufacture and sales of digital set-top boxes;
- manufacture and sales of liquid crystal display ("LCD") modules;
- manufacture and sales of white appliances;
- manufacture and sales of lighting products, security system, air conditioning and other electronic products, etc.;
- trading of other products; and
- sales of properties.

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed in notes 3.

*Summary of effects arising from initial application of HKFRS 15*

The transition to HKFRS 15 has no material impact on the Group's accumulated profits at 1 April 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

**2.1 HKFRS 15 *Revenue from Contracts with Customers*** - continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 March 2018 | Reclassification | Carrying amounts under HKFRS 15 at 1 April 2018* |
|---|---|---|---|
| | RMB million | RMB million (Note) | RMB million |
| **Current Liabilities** | | | |
| Trade and other payables | 10,052 | (1,671) | 8,381 |
| Contract liabilities | - | 1,671 | 1,671 |

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note: As at 1 April 2018, deposits received for sales of goods and deposits received for sales of properties of RMB748 million and RMB923 million, respectively previously included in trade and other payables were reclassified to contract liabilities.

In addition, as at 1 April 2018, estimated sales rebate payable of RMB877 million previously included as sales rebate payable under trade and other payables were reclassified to refund liabilities under trade and other payables upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. The application of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

**Impact on the consolidated statement of financial position**

| | As reported | Adjustments | Amounts without application of HKFRS 15 |
|---|---|---|---|
| | RMB million | RMB million | RMB million |
| **Current Liabilities** | | | |
| Trade and other payables | 10,456 | 1,443 | 11,899 |
| Contract liabilities | 1,443 | (1,443) | - |

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

<u>New and amendments to HKFRSs that are mandatorily effective for the current period</u> - continued

**2.2 HKFRS 9 *Financial Instruments***

In the current period, the Group has applied HKFRS 9 *Financial Instruments*. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (such as contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

### 2.2 HKFRS 9 *Financial Instruments* - continued

*Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets, financial liabilities, other items subject to ECL and other related items under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

| | Notes | Available-for-sale investments RMB million | Held-for trading investments RMB million | Financial assets at FVTPL RMB million | Equity instruments at FVTPL RMB million | Equity instruments at FVTOCI RMB million | Trade receivables RMB million | Loan receivables RMB million | Finance lease receivables RMB million | Deferred tax assets RMB million | Investment revaluation reserve RMB million | FVTOCI reserve RMB million | Deferred tax liabilities RMB million | Accumulated profits RMB million |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing balance at 31 March 2018 - HKAS 39 | | 1,237 | 32 | - | - | - | 7,003 | 2,675 | 139 | 398 | 21 | - | 154 | 9,870 |
| Effect arising from initial application of HKFRS 9: | | | | | | | | | | | | | | |
| Reclassification | | | | | | | | | | | | | | |
| From available-for-sale investments | (a) | (1,237) | - | 88 | 320 | 829 | - | - | - | - | (21) | - | - | 21 |
| From held-for-trading investments | (b) | - | (32) | 32 | - | - | - | - | - | - | - | - | - | - |
| Remeasurement | | | | | | | | | | | | | | |
| Impairment under ECL model | (c) | - | - | - | - | - | (26) | (111) | (1) | 28 | - | - | - | (110) |
| From cost less impairment to fair value | (a) | - | - | - | 47 | 2,428 | - | - | - | 11 | - | 2,064 | 383 | 39 |
| Opening balance at 1 April 2018 - HKFRS 9 | | - | - | 120 | 367 | 3,257 | 6,977 | 2,564 | 138 | 437 | - | 2,064 | 537 | 9,820 |

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

**2.2 HKFRS 9 *Financial Instruments*** - continued

*Summary of effects arising from initial application of HKFRS 9* - continued

(a) Available-for-sale investments

From available-for-sale investments to equity instruments at FVTOCI

The Group elected to present in OCI (rather than in profit or loss) for the fair value changes of certain unlisted equity securities previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB829 million were reclassified from available-for-sale investments to equity instruments at FVTOCI which are related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of RMB2,428 million relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve (net of corresponding tax effect of RMB364 million) as at 1 April 2018.

From available-for-sale investments to equity instruments at FVTPL

At the date of initial application of HKFRS 9, the remaining of the Group's listed equity securities, unlisted equity securities and unlisted investment funds of RMB63 million, RMB257 million and RMB88 million, respectively were reclassified from available-for-sale investments to equity instruments at FVTPL and financial assets at FVTPL of RMB320 million and RMB88 million, respectively. The fair value gains of RMB47 million relating to those equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTPL (net of corresponding tax effect of RMB8 million) and accumulated profits as at 1 April 2018. The fair value gains of RMB21 million relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated profits.

(b) Financial assets at FVTPL

The Group has reassessed its unlisted investment fund classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, RMB32 million of the Group's investments were held for trading and continued to be measured at FVTPL and there was no impact on the amount recognised in relation to these assets from application of HKFRS 9.

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

**2.2 HKFRS 9 *Financial Instruments*** - continued

*Summary of effects arising from initial application of HKFRS 9* - continued

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, and lease receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables, and lease receivables have been assessed individually with significant outstanding balances and/or collectively using a provision matrix with appropriate groupings based on internal credit rating.

ECL for other financial assets at amortised cost, including loan receivables, investments in debt securities, other receivables, amounts due from associates, pledged bank deposits, restricted bank deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowances on trade receivables, loan receivables and finance lease receivables of RMB26 million, RMB111 million and RMB1 million, respectively, net of corresponding tax effect of RMB28 million, have been recognised against accumulated profits.

All loss allowances, including trade receivables and loan receivables, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

| | Trade receivables RMB million | Loan receivables RMB million |
|---|---|---|
| At 31 March 2018 - HKAS 39 | 174 | 98 |
| Amounts remeasured through opening accumulated profits | 26 | 111 |
| At 1 April 2018 - HKFRS 9 | 200 | 209 |

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

New and amendments to HKFRSs that are mandatorily effective for the current period - continued

### *2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

| | 31 March 2018<br>RMB million<br>(audited) | HKFRS 15<br>RMB million | HKFRS 9<br>RMB million | 1 April 2018<br>RMB million<br>(restated) |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Available-for-sale investments | 1,155 | - | (1,155) | - |
| Equity instruments at FVTPL | - | - | 367 | 367 |
| Equity instruments at FVTOCI | - | - | 3,257 | 3,257 |
| Loan receivables | 2 | - | - | 2 |
| Deferred tax assets | 398 | - | 39 | 437 |
| Other with no adjustments | 9,586 | - | - | 9,586 |
| | 11,141 | - | 2,508 | 13,649 |
| **Current Assets** | | | | |
| Trade receivables | 12,417 | - | (26) | 12,391 |
| Available-for-sale investments | 82 | - | (82) | - |
| Held-for-trading investments | 32 | - | (32) | - |
| Financial assets at FVTPL | - | - | 120 | 120 |
| Loan receivables | 2,673 | - | (111) | 2,562 |
| Finance lease receivables | 139 | - | (1) | 138 |
| Others with no adjustments | 16,617 | - | - | 16,617 |
| | 31,960 | - | (132) | 31,828 |
| **Current Liabilities** | | | | |
| Trade and other payables | 10,052 | (1,671) | - | 8,381 |
| Contract liabilities | - | 1,671 | - | 1,671 |
| Others with no adjustments | 12,177 | - | - | 12,177 |
| | 22,229 | - | - | 22,229 |
| **Net Current Assets** | 9,731 | - | (132) | 9,599 |
| **Total Assets less Current Liabilities** | 20,872 | - | 2,376 | 23,248 |
| **Non-current Liabilities** | | | | |
| Deferred tax liabilities | 154 | - | 383 | 537 |
| Others with no adjustments | 4,174 | - | - | 4,174 |
| | 4,328 | - | 383 | 4,711 |
| **NET ASSETS** | 16,544 | - | 1,993 | 18,537 |
| **Capital and Reserves** | | | | |
| Investment revaluation reserve | 21 | - | (21) | - |
| FVTOCI reserve | - | - | 2,064 | 2,064 |
| Accumulated profits | 9,870 | - | (50) | 9,820 |
| Others with no adjustments | 6,653 | - | - | 6,653 |
| | 16,544 | - | 1,993 | 18,537 |

3. REVENUE

## A. For the nine months ended 31 December 2018

### (i) Disaggregation of revenue from contracts with customers, rental and interest

| | TV products (PRC market) RMB million | TV products (Overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| **Type of goods** | | | | | | | |
| Manufacture and sales of TV products | 12,473 | 5,252 | - | - | - | - | 17,725 |
| Manufacture and sales of digital set-top boxes | - | - | 4,938 | - | - | - | 4,938 |
| Manufacture and sales of LCD modules | - | - | 643 | - | - | - | 643 |
| Manufacture and sales of white appliances | - | - | - | 2,101 | - | - | 2,101 |
| Sales of properties | - | - | - | - | - | 778 | 778 |
| Others (Note (1)) | - | - | - | - | - | 3,551 | 3,551 |
| Sales of goods (Note (2)) | 12,473 | 5,252 | 5,581 | 2,101 | - | 4,329 | 29,736 |
| Rental | - | - | - | - | 272 | - | 272 |
| Interest (Note (3)) | - | - | - | - | - | 184 | 184 |
| Segment revenue | 12,473 | 5,252 | 5,581 | 2,101 | 272 | 4,513 | 30,192 |

Notes:

(1) Others represents manufacture and sales of lighting products, security system, air conditioning and other electronic products, etc. and trading of other products.

(2) The revenue from sales of goods are recognised at a point in time under HKFRS 15.

(3) Interest represents interest income from loan receivables and finance lease receivables amounted to RMB163 million and RMB21 million respectively, under group entities in which the loan financing is a principal activity.

3. REVENUE - continued

**A. For the nine months ended 31 December 2018** - continued

**(ii) Performance obligations for contracts with customers**

*Manufacture and sales of goods*

The Group manufactures and sells TV products, digital set-top boxes, LCD modules, white appliances, lighting products, security system, air conditioning and other electronic products, etc., to the customers or directly to retail customers either through its own retail outlets and through internet sales.

For sales to the customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Sales of TV products, LCD modules, white appliances, lighting products, security system, air conditioning and other electronic products, etc., and trading of other products 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.

For sales to retail customers through its own retail outlets, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For sales to retail customers through internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

3. REVENUE - continued

**A. For the nine months ended 31 December 2018** - continued

**(ii) Performance obligations for contracts with customers** - continued

*Manufacture and sales of goods* - continued

The amount of consideration the Group receives and revenue the Group recognises varies with changes in sales rebates the Group offers to the customers. The Group estimates the sales rebates based on analysis of historical experience, and adjusts for the most likely amount of consideration to be received. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates which are estimated based on experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Refund liabilities (included in trade and other payables) are recognised for expected rebates to customers in relation to sales made at the end of the reporting period. No element of financing is deemed present as the sales rebates are payable on demand from customers.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The directors considered that there will have no significant reversal of revenue as of the end of the reporting period for exchange of products.

Sales-related warranties associated with electronic products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

*Sales of properties*

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the directors of the Company considered that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30% to 70% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

3. REVENUE - continued

## A. **For the nine months ended 31 December 2018** - continued

### (ii) **Performance obligations for contracts with customers** - continued

*Sales of properties* - continued

The Group considers the advance payment schemes do not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

*Trading of other products*

For trading of other products, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers' specific location. The credit terms are normally ranging from 120 to 270 days.

### (iii) **Transaction price allocated to the remaining performance obligation for contracts with customers**

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 is within one year. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3. REVENUE - continued

**B. For the year ended 31 March 2018**

An analysis of the Group's revenue for the year ended 31 March 2018 was as follows:

| | Year ended 31 March 2018 RMB million |
|---|---|
| Manufacture and sales of TV products | 26,986 |
| Manufacture and sales of digital set-top boxes | 6,097 |
| Manufacture and sales of LCD modules | 944 |
| Manufacture and sales of white appliances | 2,265 |
| Sales of properties | 25 |
| Others | 2,478 |
| Sales of goods | 38,795 |
| Rental | 294 |
| Interest | 182 |
| | 39,271 |

## 4. 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) | - manufacture and sale of televisions for the PRC market (excluding Hong Kong Special Administrative Region and Macao Special Administrative Region) |
| 2. | TV products (overseas market) | - manufacture and sale of televisions for the overseas market (including Hong Kong Special Administrative Region and Macao Special Administrative Region) |
| 3. | Digital set-top boxes and LCD modules | - manufacture and sale of digital set-top boxes and LCD modules |
| 4. | White appliances | - 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 manufacture and sale of lighting products, security system, air conditioning and other electronic products, etc., sales of properties, loan financing and trading of other products. 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.

4. SEGMENT INFORMATION - continued

Segment revenue and results

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

**For the nine months ended 31 December 2018**

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Eliminations RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Segment revenue from external customers | 12,473 | 5,252 | 5,581 | 2,101 | 272 | 25,679 | 4,513 | - | 30,192 |
| Inter-segment revenue | 106 | 1 | 13 | 83 | 137 | 340 | 2,978 | (3,318) | - |
| Total segment revenue | 12,579 | 5,253 | 5,594 | 2,184 | 409 | 26,019 | 7,491 | (3,318) | 30,192 |
| **Results** | | | | | | | | | |
| Segment results (Note) | 248 | 127 | 221 | 71 | 128 | 795 | 68 | - | 863 |
| Interest income | | | | | | | | | 106 |
| Unallocated corporate income | | | | | | | | | 113 |
| Unallocated corporate expenses | | | | | | | | | (108) |
| Finance costs | | | | | | | | | (335) |
| Share of results of associates | | | | | | | | | 9 |
| Consolidated profit before taxation of the Group | | | | | | | | | 648 |

**For the year ended 31 March 2018**

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Eliminations RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Segment revenue from external customers | 16,660 | 10,326 | 7,041 | 2,265 | 294 | 36,586 | 2,685 | - | 39,271 |
| Inter-segment revenue | 64 | 28 | 24 | 135 | 33 | 284 | 1,433 | (1,717) | - |
| Total segment revenue | 16,724 | 10,354 | 7,065 | 2,400 | 327 | 36,870 | 4,118 | (1,717) | 39,271 |
| **Results** | | | | | | | | | |
| Segment results (Note) | 666 | 77 | 141 | (18) | 183 | 1,049 | (7) | - | 1,042 |
| Interest income | | | | | | | | | 164 |
| Unallocated corporate income | | | | | | | | | 222 |
| Unallocated corporate expenses | | | | | | | | | (344) |
| Finance costs | | | | | | | | | (322) |
| Share of results of associates | | | | | | | | | 10 |
| Share of results of joint ventures | | | | | | | | | (1) |
| Consolidated profit before taxation of the Group | | | | | | | | | 771 |

Note: No intra-segment transactions have been included in measuring the segment results.

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, unallocated corporate income, unallocated corporate expenses, 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.

4. 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 December 2018**

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Segment assets | 12,080 | 1,793 | 6,995 | 1,869 | 4,685 | 27,422 | 10,743 | 38,165 |
| Goodwill | | | | | | | | 384 |
| Interests in associates | | | | | | | | 79 |
| Interests in joint ventures | | | | | | | | 22 |
| Unallocated corporate assets | | | | | | | | 6,510 |
| Total consolidated assets | | | | | | | | 45,160 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 4,038 | 1,493 | 4,044 | 1,550 | 974 | 12,099 | 6,428 | 18,527 |
| Unallocated corporate liabilities | | | | | | | | 9,278 |
| Total consolidated liabilities | | | | | | | | 27,805 |

**As at 31 March 2018**

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Segment assets | 9,978 | 2,590 | 6,642 | 1,444 | 4,436 | 25,090 | 7,542 | 32,632 |
| Goodwill | | | | | | | | 422 |
| Interests in associates | | | | | | | | 68 |
| Interests in joint ventures | | | | | | | | 39 |
| Unallocated corporate assets | | | | | | | | 9,940 |
| Total consolidated assets | | | | | | | | 43,101 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 3,844 | 391 | 3,579 | 1,252 | 1,090 | 10,156 | 5,794 | 15,950 |
| Unallocated corporate liabilities | | | | | | | | 10,607 |
| Total consolidated liabilities | | | | | | | | 26,557 |

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

- all assets other than inter-segment assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, equity instruments at FVTPL, equity instruments at FVTOCI, available-for-sale investments, deferred tax assets, investments in debt securities, financial assets at FVTPL, held-for-trading investments, prepaid tax, pledged bank deposits, restricted bank deposits, and bank balances and cash; and

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

## 4. SEGMENT INFORMATION - continued

Other segment information

### For the nine months ended 31 December 2018

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|
| Included in measure of segment results or segment assets: | | | | | | | | |
| Amortisation of intangible assets | - | 2 | - | - | - | 2 | - | 2 |
| Capital expenditure on | | | | | | | | |
| - Property, plant and equipment | 206 | 4 | 156 | 77 | 142 | 585 | 275 | 860 |
| - Prepaid lease payments on land use rights | - | - | - | 32 | 31 | 63 | - | 63 |
| Depreciation of property, plant and equipment | 57 | 5 | 98 | 37 | 94 | 291 | 53 | 344 |
| Loss on disposal of property, plant and equipment | 4 | 1 | 2 | - | - | 7 | 20 | 27 |
| Impairment loss recognised in respect of investments in debt securities | - | - | - | - | - | - | 34 | 34 |
| Impairment loss recognised in respect of trade receivables | - | 16 | 40 | 1 | - | 57 | 40 | 97 |
| Impairment loss recognised in respect of loan receivables | - | - | - | - | - | - | 131 | 131 |
| Impairment loss recognised in respect of other receivables | - | - | - | - | - | - | 11 | 11 |
| Impairment loss recognised in respect of finance lease receivables | - | - | - | - | - | - | 4 | 4 |
| Release of prepaid lease payments on land use rights | 2 | 4 | 1 | 1 | 41 | 49 | 1 | 50 |
| Write-down of inventories | 4 | 11 | 11 | 1 | - | 27 | 19 | 46 |

### For the year ended 31 March 2018

| | TV products (PRC market) RMB million | TV products (overseas market) RMB million | Digital set-top boxes and LCD modules RMB million | White appliances RMB million | Property holding RMB million | Total reportable segments RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|---|
| Included in measure of segment results or segment assets: | | | | | | | | |
| Amortisation of intangible assets | - | 3 | - | - | - | 3 | - | 3 |
| Capital expenditure on | | | | | | | | |
| - Intangible assets | - | 3 | - | - | - | 3 | - | 3 |
| - Property, plant and equipment | 851 | 4 | 97 | 113 | 59 | 1,124 | 272 | 1,396 |
| - Prepaid lease payments on land use rights | - | - | - | 31 | 1,780 | 1,811 | - | 1,811 |
| Depreciation of property, plant and equipment | 91 | 4 | 91 | 36 | 101 | 323 | 54 | 377 |
| Loss (gain) on disposal of property, plant and equipment | 3 | (11) | - | - | - | (8) | 8 | - |
| Impairment loss recognised in respect of trade receivables | 9 | 5 | 11 | - | - | 25 | 5 | 30 |
| Impairment loss recognised in respect of loan receivables | - | - | - | - | - | - | 36 | 36 |
| Impairment loss recognised in respect of other receivables | - | - | - | - | - | - | 7 | 7 |
| Impairment loss recognised in respect of finance lease receivables | - | - | - | - | - | - | 4 | 4 |
| Release of prepaid lease payments on land use rights | 3 | 5 | 1 | 1 | 64 | 74 | 5 | 79 |
| Write-down of inventories | 3 | 21 | 19 | 3 | - | 46 | 18 | 64 |

4. 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 others 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 others 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) | |
|---|---|---|---|---|
| | Nine months ended 31 December 2018 | Year ended 31 March 2018 | As at 31 December 2018 | As at 31 March 2018 |
| | RMB million | RMB million | RMB million | RMB million |
| PRC | 22,279 | 25,831 | 9,050 | 8,998 |
| Asia region (other than PRC) (Note 2) | 4,410 | 6,796 | 747 | 564 |
| America | 372 | 1,956 | - | - |
| Europe | 970 | 1,596 | 16 | 13 |
| Other regions | 2,161 | 3,092 | 30 | 11 |
| | 30,192 | 39,271 | 9,843 | 9,586 |

Notes:

1. Non-current assets excluded equity instruments at FVTPL, equity instruments at FVTOCI, available-for-sale investments, loan receivables and deferred tax assets.

2. Asia region (other than PRC) includes Vietnam, Indonesia, India, etc, which individually less than 10% of total revenue.

5. OTHER GAINS AND LOSSES AND IMPAIRMENT LOSS RECOGNISED IN RESPECT OF FINANCIAL ASSETS

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| (A) Other gains and losses comprise of: | | |
| Exchange gain (loss), net | 67 | (246) |
| Gain from changes in fair value of derivative financial instruments | 10 | 3 |
| Gain on disposal of a joint venture | 1 | - |
| Gain on disposal of available-for-sale investments | - | 65 |
| Loss from changes in fair value of equity instruments at FVTPL | (26) | - |
| Loss on disposal of a subsidiary (note 14) | (30) | - |
| Loss on disposal of land use rights | (8) | - |
| Loss on disposal of property, plant and equipment | (27) | - |
| | (13) | (178) |

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| (B) Impairment loss recognised in respect of financial assets comprise of: | | |
| Impairment loss recognised in respect of finance lease receivables | (4) | (4) |
| Impairment loss recognised in respect of investments in debt securities | (34) | - |
| Impairment loss recognised in respect of loan receivables | (131) | (36) |
| Impairment loss recognised in respect of other receivables | (11) | (7) |
| Impairment loss recognised in respect of trade receivables | (97) | (30) |
| | (277) | (77) |

6. INCOME TAX EXPENSE

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| PRC Enterprise Income Tax ("EIT") | | |
| Current period/year | 232 | 337 |
| (Over)underprovision in prior years | (8) | 11 |
| | 224 | 348 |
| PRC withholding tax | 53 | - |
| Hong Kong Profits Tax | | |
| Current period/year | 7 | 8 |
| Underprovision in prior years | - | 2 |
| | 7 | 10 |
| Taxation arising in other jurisdictions | | |
| Current period/year | 2 | 7 |
| Land appreciation tax ("LAT") | 25 | - |
| Deferred taxation | (216) | (93) |
| | 95 | 272 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current period, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period/year. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

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

6. INCOME TAX EXPENSE - continued

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 EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. RMB53 million (for the year ended 31 March 2018: nil) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the nine months ended 31 December 2018.

According to Guoshuifa [2008] No. 116 "Notice of the State Administration of Taxation on Issuing the Administrative Measures for the Pre-tax Deduction of Enterprise Research and Development Expenses (for Trial Implementation)", Caishui [2013] No. 70 "Circular of the Ministry of Finance and the State Administration of Taxation issues related to super deductions for research and development expenses", certain PRC subsidiaries are also entitled to an additional 50% tax deduction on eligible research costs incurred by them during the year ended 31 March 2018. In August 2018, a new notice with the name of Caishui [2018] No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research costs incurred by them for the nine months ended 31 December 2018.

7. PROFIT FOR THE PERIOD/YEAR

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| Profit for the period/year has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets | 2 | 3 |
| Auditors' remunerations | 6 | 7 |
| Cost of inventories recognised as an expense including write-down of inventories of RMB46 million (for the year ended 31 March 2018: RMB64 million) | 23,870 | 32,615 |
| Cost of stock of properties recognised as an expense | 568 | 13 |
| Depreciation of property, plant and equipment | 489 | 594 |
| Less: capitalised in cost of inventories | (145) | (217) |
| | 344 | 377 |
| Operating lease rentals in respect of land and buildings | | |
| - included in selling and distribution expenses | 98 | 121 |
| - included in general and administrative expenses | 36 | 59 |
| | 134 | 180 |
| Release of prepaid lease payments on land use rights | 50 | 79 |
| Rental income from leasing of properties less related outgoings of RMB97 million (for the year ended 31 March 2018: RMB98 million) | (175) | (196) |
| Research costs recognised as an expense (including staff costs of RMB628 million (for the year ended 31 March 2018: RMB795 million)) | | |
| - included in general and administrative expense | 1,327 | 1,490 |
| Staff costs: | | |
| - Directors' and chief executive's emoluments | 38 | 25 |
| - Related staff costs for research activities | 628 | 795 |
| - Other staff salaries, bonus, retirement benefits and others | 2,026 | 2,526 |
| | 2,692 | 3,346 |
| Less: capitalised in cost of inventories | (733) | (1,088) |
| | 1,959 | 2,258 |

8. DIVIDENDS

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| Dividends recognised as distribution during the period/year: | | |
| 2018 Final – 9.0 HK cents (for the year ended 31 March 2018: 2017 final dividend 5.0 HK cents) per share | 241 | 129 |

The final dividend of 6.0 HK cents per share, totalling approximately RMB157 million, for the nine months ended 31 December 2018 is proposed by the directors of the Company on 28 March 2019. Such final dividend will be distributed in cash. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 December 2018.

No interim dividend was paid or proposed during the nine months ended 31 December 2018 and the year ended 31 March 2018.

Share dividends alternatives were offered as follows:

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| **2018 Final dividend (for the year ended 31 March 2018: 2017 Final dividend)** | | |
| Cash | 241 | 70 |
| Scrip dividends | - | 59 |
| | 241 | 129 |

9. 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:

| | Nine months ended 31 December 2018 RMB million | Year ended 31 March 2018 RMB million |
|---|---|---|
| Earnings | | |
| Profit for the period/year attributable to owners of the Company for the purpose of basic earnings per share | 420 | 459 |
| Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange | (67) | (41) |
| Profit for the period/year attributable to owners of the Company for the purpose of diluted earnings per share | 353 | 418 |

| | Nine months ended 31 December 2018 | Year ended 31 March 2018 |
|---|---|---|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 3,032,208,819 | 3,018,487,197 |
| Effect of dilutive potential ordinary shares in respect of outstanding share options | 1,699,643 | 2,763,050 |
| Effect of dilutive potential ordinary shares in respect of outstanding share awards | 1,801,311 | 6,586,027 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 3,035,709,773 | 3,027,836,274 |

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 the nine months ended 31 December 2018 and the year ended 31 March 2018.

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust.

## 10. TRADE RECEIVABLES

| | As at 31 December 2018 RMB million | As at 31 March 2018 RMB million |
|---|---|---|
| Trade receivables | | |
| - goods and services | 9,719 | 7,146 |
| - lease receivables | 52 | 31 |
| | 9,771 | 7,177 |
| Less: allowance for credit losses/doubtful debts | (297) | (174) |
| | 9,474 | 7,003 |
| Bills receivables | 6,942 | 5,414 |
| | 16,416 | 12,417 |

As at 31 December 2018 and 1 April 2018, trade receivables from contracts with customers amounted to RMB9,719 million and RMB7,146 million, respectively.

The following is an aged analysis of trade receivables, net of allowance for credit losses/doubtful debts, presented based on the invoice date at the end of the reporting period:

| | As at 31 December 2018 RMB million | As at 31 March 2018 RMB million |
|---|---|---|
| Within 30 days | 4,610 | 2,526 |
| 31 to 60 days | 1,795 | 1,223 |
| 61 to 90 days | 824 | 852 |
| 91 to 365 days | 1,707 | 2,026 |
| Over 365 days | 538 | 376 |
| Trade receivables | 9,474 | 7,003 |
| Bills receivables | 6,942 | 5,414 |
| | 16,416 | 12,417 |

10. TRADE RECEIVABLES - continued

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,938 million which are past due as at the reporting date. Out of the past due balances, RMB951 million has been past due 90 days or more and is not considered as in default based on historical experience. Other than bills received, the Group does not hold any collateral over these balances.

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,485 million which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group was of the opinion that no further provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances. Trade receivables which were neither past due nor impaired were considered recoverable as the balances related to a number of independent customers that had a good track record with the Group.

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

| | As at 31 March 2018 RMB million |
|---|---|
| Within 30 days | 524 |
| 31 to 60 days | 261 |
| 61 to 90 days | 161 |
| 91 days or over | 539 |
| | 1,485 |

10. TRADE RECEIVABLES - continued

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 receivables are within six months at the end of the reporting period.

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

| | As at 31 December 2018 RMB million | As at 31 March 2018 RMB million |
|---|---|---|
| Within 30 days | 916 | 764 |
| 31 to 60 days | 817 | 1,027 |
| 61 to 90 days | 1,434 | 1,626 |
| 91 days or over | 3,275 | 1,537 |
| Bills discounted to banks with recourse | 500 | 460 |
| | 6,942 | 5,414 |

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 receivables 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 receivables at the end of the reporting period are not yet due.

At 31 December 2018, other than bills discounted as disclosed above, carrying amount of trade receivables amounted to RMB25 million (31 March 2018: RMB26 million) have been pledged as security for the Group's borrowings.

11. TRADE AND OTHER PAYABLES

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

| | As at 31 December 2018 RMB million | As at 31 March 2018 RMB million |
|---|---|---|
| Within 30 days | 4,237 | 2,493 |
| 31 to 60 days | 1,343 | 1,166 |
| 61 to 90 days | 656 | 828 |
| 91 days or over | 399 | 183 |
| Trade payables | 6,635 | 4,670 |
| Accruals and other payables | 1,125 | 845 |
| Accrued staff costs | 592 | 562 |
| Accrued selling and distribution expenses | 151 | 110 |
| Amounts received for restricted share incentive scheme of a subsidiary | 168 | 204 |
| Customer deposits (Note (1)) | 25 | 231 |
| Deposits received for sales of goods (Note (2)) | - | 748 |
| Deposits received for sales of properties (Note (2)) | - | 923 |
| Interest payables on corporate bonds | 36 | 60 |
| Membership fee received | - | 41 |
| Other deposits received | 545 | 622 |
| Payables for purchase of property, plant and equipment | 59 | 46 |
| Refund liabilities (Note (3)) | 999 | - |
| Rental deposits received | 66 | 47 |
| Sales rebate payable | - | 877 |
| VAT payable | 55 | 66 |
| | 10,456 | 10,052 |

Notes:

1. The customer deposits bear interest at 0.35% per annum (31 March 2018: 0.35% per annum) which are repayable on demand.

   As at 31 December 2018, RMB10 million (31 March 2018: RMB199 million) of the customer deposits is placed by the associate, 北京新七天電子商務技術股份有限公司 ("New Seven Days"), which bear interest at 0.35% per annum (31 March 2018: 0.35% per annum) and is repayable on demand.

2. As at 31 December 2018, deposits received for sales of goods and deposits received for sales of properties of RMB1,153 million and RMB290 million respectively are included in contract liabilities upon the application of HKFRS 15.

3. The refund liabilities are arisen from outstanding rebates in relation to the goods sold to certain customers.

## 12. BILLS PAYABLES

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

| | As at 31 December 2018 RMB million | As at 31 March 2018 RMB million |
|---|---|---|
| Within 30 days | 979 | 920 |
| 31 to 60 days | 885 | 1,063 |
| 61 to 90 days | 864 | 1,180 |
| 91 days or over | 3,454 | 2,285 |
| | 6,182 | 5,448 |

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

## 13. PLEDGE OF ASSETS

At 31 December 2018, 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 RMB17 million (31 March 2018: RMB17 million) and RMB225 million (31 March 2018: RMB243 million), respectively;

(b) pledged bank deposits of RMB123 million (31 March 2018: RMB334 million);

(c) trade receivables of RMB25 million (31 March 2018: RMB26 million); and

(d) bills receivables of RMB500 million (31 March 2018: RMB460 million).

## 14. DISPOSAL OF A SUBSIDIARY

**Disposal of 遂寧錦華紡織有限公司 ("Suining")**

On 11 June 2018, the Group disposed 94% equity interest in a non-wholly owned subsidiary, Suining, which engaged in spinning, weaving, manufacture and sales of textiles at a consideration of RMB30 million.

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

| | RMB million |
|---|---|
| Property, plant and equipment | 62 |
| Prepaid lease payments on land use rights | 74 |
| Equity instruments at FVTPL | 1 |
| Inventories | 23 |
| Trade receivables | 46 |
| Bank balances and cash | 16 |
| Trade and other payables | (31) |
| Borrowings | (160) |
| Deferred income | (8) |
| | 23 |

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

| | RMB million |
|---|---|
| Consideration | 30 |
| Less: Net assets disposed of | (23) |
| Less: Derecognised goodwill | (39) |
| Add: Non-controlling interests | 2 |
| Loss on disposal of Suining | (30) |

## BUSINESS PERFORMANCE REVIEW

During the Current Reporting Period, the consolidated revenue of the Group was RMB30,192 million (Previous Year: RMB39,271 million). The profit after tax of the Group of the Reporting Period was RMB553 million (Previous Year: RMB499 million). The gross profit margin was 18.7% (Previous Year: 16.7%).

**Note A**
As disclosed in the Company's announcement dated 14 March 2019, based on a preliminary assessment of the unaudited consolidated management accounts of the Group, the board of directors of the Company had expected at least 20% increase in the Group's profit after taxation for the nine months ended 31 December 2018 when compared to that for the twelve months ended 31 March 2018. Having further estimation of provision for credit losses in respect of certain financial instruments as required by Hong Kong Financial Reporting Standards 9 Financial Instruments which becomes effective for the annual periods of the Group beginning on or after 1 January 2018 and discussed with the Company's auditors, the Company therefore determined to recognise further impairment losses (see note 5B to the consolidated statement of profit or loss and other comprehensive income) in the Group's audited consolidated financial statements for the nine months ended 31 December 2018 thereby causing a decrease in the anticipated level of net profit of the Group for such period.

**Note B**
The Group's subsidiaries incorporated in the People's Republic of China (the "PRC") are statutorily required to prepare their accounts with a financial year end date of 31 December. The Board resolved on 4 July 2018 that the financial year end date of the Company would be changed from 31 March to 31 December, so as to align its financial year end date with that of the Group's subsidiaries in the PRC, and to facilitate preparation of the consolidated financial statements of the Group. This is the first financial year after the change, reporting period of the financial statements presented therefore covers the nine months from 1 April to 31 December 2018 (the "Current Reporting Period"), while relevant comparative figures cover the twelve months from 1 April 2017 to 31 March 2018 (the "Previous Year").

Following the change, a whole year of the new financial year will cover a period starting from 1 January and ending on 31 December of the same year. To facilitate a better understanding of the Group's operating results in the new financial year, the Group also presents, on a voluntary basis, the unaudited financial results for the twelve months from 1 January to 31 December 2018 (the "Period under Review") and the unaudited financial results for the twelve months from 1 January to 31 December 2017 (the "Same Period of Previous Year") for comparison.

**Note C**
In addition, the presentation currency for the Group's consolidated financial statements has been changed from HK$ to RMB, as (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency will also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB, which is unrelated to the operations of the Group and is beyond its control, on the consolidated financial statements of the Group.

The unaudited financial results for the twelve months from 1 January to 31 December 2018 and those from 1 January to 31 December 2017 are as follows:

| | **1 January to 31 December 2018 (Unaudited)** | 1 January to 31 December 2017 (Unaudited) | **1 January to 31 December 2018 vs 1 January to 31 December 2017** |
|---|---|---|---|
| | **RMB million** | RMB million | **Increase/(decrease)** |
| Revenue | **38,978** | 38,935 | **0.1%** |
| Gross profit | **7,194** | 6,596 | **9.1%** |
| Gross profit margin | **18.5%** | 16.9% | **1.6p.p.** |
| Selling and distribution expenses | **(3,689)** | (4,125) | **(10.6%)** |
| General and administrative expenses | **(2,764)** | (2,441) | **13.2%** |
| Profit before taxation | **1,033** | 435 | **137.5%** |
| Income tax expense | **(194)** | (215) | **9.8%** |
| Profit for the year | **839** | 220 | **281.4%** |

## Revenue

For the nine months ended 31 December 2018, the Group's overall revenue amounted to RMB30,192 million (twelve months ended 31 March 2018: RMB39,271 million).

For the twelve months ended 31 December 2018, the Group's overall revenue amounted to RMB38,978 million, representing a mild growth of 0.1% compared with the Same Period of Previous Year.

During the Period under Review, prospect of the domestic home appliance market became increasingly uncertain with intensified competition and new retail models making imposing debut. While the home appliance industry reported growth as a whole, it was delivered at a slower pace. In addition, relying on momentum from emerging markets and competitive advantages in the sector, Chinese home appliance companies made further progress in the "going global" initiative, gradually accelerating their international expansion as growths in international home appliance markets stabilised. However, the US-China trade war also created many uncertainties for the development of international markets. Under this backdrop, the Group continued to adhere to its development philosophy of being a "technological leader" and developing "health-focused technologies", it therefore focused on consumer experience and the improvement of product competitiveness, made structural adjustments in relation to its TV products and customer base, as well as fully leveraged on advantages as an early mover amid the trend of accelerated penetration of OLED TV to further increase its market share through the introduction of products offering greater value for money. Meanwhile, not only did the Group record fast growth in revenue from its internet-based content, it also delivered year-on-year growths in the digital set-top boxes businesses, the Group therefore maintained growth in overall revenue on a year-on-year basis.

For the twelve months from 1 January to 31 December 2018 and from 1 January to 31 December 2017, the Group's sales volume of TV by products and markets are as follows:

| | **1 January to 31 December 2018** | 1 January to 31 December 2017 | **1 January to 31 December 2018 vs 1 January to 31 December 2017** |
|---|---|---|---|
| | ***Unit ('000)*** | *Unit ('000)* | ***Increase/(Decrease)*** |
| **PRC Market** | **8,804** | 7,813 | **12.7%** |
| Including: | | | |
| ***- 4K TV*** | ***5,003*** | *4,302* | ***16.3%*** |
| ***- Non-4K TV*** | ***3,801*** | *3,511* | ***8.3%*** |
| **Overseas Market** | **6,512** | 7,770 | **(16.2%)** |
| **Total TV sales volume** | **15,316** | 15,583 | **(1.7%)** |

As of 31 December 2018, the Group's user population of Skyworth Smart TV in the PRC market was as below:

— Accumulated activated users for internet TV: 36,163,376
— Weekly active users for Smart TV: 18,460,052
— Daily active users for Smart TV: 13,653,827

(a) Business Review by Geographical Segments

The Group's operations have been expanded worldwide, including mainland China and other regions in Asia, Africa, Europe and America, with mainland China being the primary market.

***Mainland China Market***

For the nine months ended 31 December 2018, revenue from the mainland China market amounted to approximately RMB22,279 million (twelve months ended 31 March 2018: RMB25,831 million).

For the twelve months ended 31 December 2018, revenue from the mainland China market amounted to approximately RMB28,236 million, representing an increase of RMB2,729 million or 10.7% compared with the Same Period of Previous Year.

During the Period under Review, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 59.2% (from 1 January to 31 December 2017: 67.1%), 20.3% (from 1 January to 31 December 2017: 19.0%) and 9.9% (from 1 January to 31 December 2017: 10.7%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 10.6% (from 1 January to 31 December 2017: 3.2%).

***Overseas Markets***

For the nine months ended 31 December 2018, revenue from overseas markets amounted to RMB7,913 million (twelve months ended 31 March 2018: RMB13,440 million), equivalent to 26.2% of the Group's overall revenue.

For the twelve months ended 31 December 2018, revenue from overseas markets amounted to RMB10,742 million, equivalent to 27.6% of the Group's overall revenue, representing a decrease of RMB2,686 million or 20.0% compared with RMB13,428 million recorded in the Same Period of Previous Year. In pursuit of greater stability, the Group's OEM operation in overseas markets adjusted its customer and order structure, resulting in a significant decrease in revenue overseas during the Period under Review.

*Geographical distribution of revenue in overseas markets*

The Group's main overseas markets are Asia, Middle East and Africa. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

| | Nine months ended 31 December | Twelve months ended 31 December | |
|---|---|---|---|
| | 2018 | 2018 | 2017 |
| | (%) | (%) | (%) |
| Asia (excluding Middle East) | 56 | 52 | 53 |
| Middle East | 13 | 14 | 13 |
| Africa | 13 | 13 | 7 |
| Europe | 12 | 12 | 13 |
| America | 5 | 8 | 13 |
| Oceania | 1 | 1 | 1 |
| | 100 | 100 | 100 |

For revenue analysis concerning the mainland China market and overseas markets, please refer to the section headed "Business Review by Business Segments".

(b) Business Review by Business Segments

The Group has announced its overall strategic direction for upgrading through reformation for the next five years (also known as the "1334 Strategy"), confirming four key business sectors, including: 1. Multimedia Business; 2. Smart Systems Technology Business; 3. Smart Appliances Business; and 4. Modern Services Business.

***Multimedia business***

The Group's multimedia business covers, among others, TV, content-based development and operation.

For the nine months ended 31 December 2018, the Group's TV products recorded a revenue of RMB12,473 million in the mainland China market (twelve months ended 31 March 2018: RMB16,660 million).

During the Period under Review, through its self-developed AI chips, named "hummingbird" and "chameleon", the Group significantly improved image quality and colour performance of its TV products, with a significant enhancement in voice interaction. Having built a strong voice-based search platform, "Xiao Wei (小維)", our newly introduced virtual assistant, can accurately receive and fully comprehend commands given by users to address their needs, making human-computer interaction more comfortable and accessible. In addition, the Group also introduced a brand-new AI TV series, creating competitive advantages through differentiation in voice-based functions, and exploring a new arena for AI TV. Meanwhile, as the first mainland-based manufacturer to successfully achieve mass production of OLED screens, Skyworth has developed and started the mass production of more than 10 models of OLED TV as of the date of this report, enabling the Group's TV business to secure a leading position in mainland China's OLED market.

For the twelve months ended 31 December 2018, revenue recorded for TV products in the mainland China market amounted to RMB16,201 million, representing a decrease of RMB647 million or 3.8% from RMB16,848 million in the Same Period of Previous Year. For the twelve months ended 31 December 2018, as the Group continued to focus on promoting large-sized 4K TV, the monthly sales volume of 4K smart TV increased by 16.3% year on year, this contributed to a year-on-year increase of 12.7% in our average monthly sales volume; meanwhile, the monthly sales volume of non-4K TV in the mainland China market also grew by 8.3% year on year. However, in order to cope with fierce competition in the marketplace, the Group adjusted the unit rates of its TV products in the mainland China market. As a result, for the twelve months ended 31 December 2018, revenue from the Group's TV products in the mainland China market recorded a mild decrease from the Same Period of Previous Year.

For the nine months ended 31 December 2018, revenue recorded for the Group's TV products in overseas markets amounted to RMB5,252 million (twelve months ended 31 March 2018: RMB10,326 million).

For the twelve months ended 31 December 2018, revenue recorded for the Group's TV products in overseas markets amounted to RMB7,311 million, representing a decrease of RMB2,761 million or 27.4% compared with RMB10,072 million recorded in Same Period of Previous Year.

By seizing great advantages and opportunities arising from the "Belt and Road" national initiative, the Group is committed to improving its global deployment through the strategy of "internationalisation". However, global operation has become more difficult due to rising trade protectionism, as various countries continue to raise import tariffs to safeguard national interests and improving domestic employment. Meanwhile, as exports of emerging markets, such as Brazil, Argentina, Turkey and Russia, now face serious set-backs due to significantly lower exchange rates, operations have also become more challenging for existing customers. In order to ensure stability and continuity of our operations, the Group has adopted relatively conservative sales strategies. As a strategic decision, the Group cancelled projects of low profit margin, leading to a decline in revenue from its OEM business.

Through the model of Original Equipment Manufacturer ("OEM"), Original Design Manufacturer ("ODM") and the establishment of overseas sales office, the Group's own TV brand focused on promotional and marketing campaigns over the years, managing to gain increasing popularity and visibility in overseas markets. However, due to the late formation of its business layout, subdued market activities and limited sales channels, as well as growing pessimistic sentiment over economic prospects in Europe, our European business had to reduce its operation scale to manage risks and accelerate inventory turnover.

For the nine months ended 31 December 2018, revenue from the Group's internet-based content amounted to RMB415 million (twelve months ended 31 March 2018: RMB266 million).

For the twelve months ended 31 December 2018, the Group saw a significant growth of RMB271 million or 113.4% in revenue from its internet-based content, which increased to RMB510 million from RMB239 million in Same Period of Previous Year. As of 31 December 2018, Skyworth had over 36 million activated users for its smart TV in the Chinese market, and had attracted over 13 million daily active users. Our industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited*（百度控股有限公司）("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Shenzhen Coocaa", an indirect non-wholly owned subsidiary of the Company). We are confident that building on the joint efforts of these giants in the internet industry, our smart-home and smart-city businesses will be growing at an even faster pace.

***Smart systems technology business***

Smart systems technology business covers, among others, digital access systems, automotive electronic systems, smart office & conference systems, and smart security systems.

For the nine months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in the mainland China market amounted to RMB3,908 million (twelve months ended 31 March 2018: RMB4,718 million).

For the twelve months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in the mainland China market amounted to RMB5,120 million, representing an increase of RMB688 million or 15.5% from RMB4,432 million recorded in the Same Period of Previous Year.

During the Period under Review, smart integrated terminal box on domestic radio and television market recorded greater weighting of sales, and our ONU access terminals has captured bigger market share. Our market share and coverage in the centralised procurement market of China Telecom have further increased. As we won bids for more than 10 provinces in China Unicom's intelligent gateway programme, we have become one of its core suppliers, with a steady growth in share of its procurement. We also supply our products to three own brands of China Mobile, and our intelligent gateway products have been launched through the Internet of Things (IoT) in provinces where it operates. In cooperation with Baidu, the Group launched Skyworth Xiao Pai（小湃）smart OTT speaker box for television, a first-to-market artificial intelligence (AI) interactive product centred on a TV-based giant screen ecology. As a multi-functional system integrating intelligent audio + TV set-top box + home theatre + karaoke system + intelligent ecology, it is powered by duer OS AI system developed by Baidu and integrates features of duer OS (including voice recognition and voice understanding) as well as Baidu's content database, encyclopaedic knowledge, stock information, weather, video streaming and internet-based application.

For the nine months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in overseas markets amounted to RMB1,673 million (twelve months ended 31 March 2018: RMB2,323 million).

For the twelve months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in overseas markets amounted to RMB2,188 million, representing a decrease of RMB278 million or 11.3% from RMB2,466 million recorded in the Same Period of Previous Year.

During the Period under Review, the Group's digital set-top boxes business recorded large volume of sales in overseas markets, including Asia Pacific, South Africa, India, South America and Europe. On the other hand, in response to the emerging market demand featured by the trend towards IP, the Company has also made significant investment in the research and development of new product series for the Android ecosystem. By establishing strategic partnership with companies such as Google and Netflix, not only has the Company made new breakthroughs in a number of areas based on the Android ecosystem, such as IPTV, DVB + OTT and OTT in overseas markets, it also initiated the sales of end products such as Pay-TV, Android TV and OTT smart box, as well as broadband access products like PONs.

***Smart appliances business***

Smart appliances business covers, among others, smart air conditioners, smart refrigerators, smart washers and kitchen appliances.

For the nine months ended 31 December 2018, revenue recorded for smart appliance products amounted to RMB2,160 million (twelve months ended 31 March 2018: RMB2,827 million) in the mainland China market, and RMB606 million (twelve months ended 31 March 2018: RMB568 million) in overseas markets.

For the twelve months ended 31 December 2018, revenue recorded for smart appliance products in the mainland China market amounted to RMB2,788 million, representing an increase of RMB59 million or 2.2% compared with RMB2,729 million recorded in the Same Period of Previous Year. Revenue from overseas markets amounted to RMB784 million, representing an increase of RMB296 million or 60.7% compared with RMB488 million recorded in the Same Period of Previous Year.

During the Period under Review, Skyworth was fully committed to improving the performance of its smart appliances business through the synergy between products and sales channels. Following the product-driven approach, Skyworth upgraded its products towards high-end finishes, smart capabilities and refined services; and with the channel-driven approach, not only did Skyworth deliver a comprehensive upgrade that covered marketing, branding, operation scale and values, it also continued to improve its sales-channel layout, thereby achieving omni-channel coverage in large chain stores, e-commerce platforms and brick-and-mortar stores. Revenue of smart appliance products increased as a result.

As the home appliance industry evolves towards the development of products featuring smart functions and high-end finishes, product performance and structural upgrade have become the main priority as the sector moves forward. Concentrating additional resources on the delivery of “health benefits”, “energy efficiency” and “smart functions” through enhanced product research and development, Skyworth aims to embed technological innovation and smart technology into its products. During 2018, the Group launched an i-DD voice-commanded washing machine with dual-cleaning function. Equipped with the 3rd generation of AI voice system, not only can this model deliver doubled cleaning efficiency on top of numerous advanced functions, such as “offline operation, multi-lingual capacity, multiple microphones, upgraded support, multi-scenario application and over 60 commands”, it is also equipped with a direct-drive converter-fed DC motor and our i-health system, delivering high energy efficiency and durability. This voice-commanded new product with dual-cleaning function also offers a wide range of health technologies, it can prevent cross-contamination caused by pollutants and detergent residue in the drum, adding extra protection for a healthy life. Furthermore, through the introduction of refrigerator series offering features such as smart IoT connectivity, air cooling, even cooling and direct cooling, Skyworth also managed to achieve omni-platform and omni-capacity coverage, signifying its successful entry into the upscale market.

Skyworth continues to optimise its traditional channels and structures in the domestic market: on the one hand, it is upgrading from a county-and-village-based network to one that covers mega cities and super mega cities; on the other, it is also upgrading from small outlets to large home appliance stores. To expand its footprint to international markets, Skyworth has established a global presence. In addition to a globalised market network that covers several regions, including Europe, Middle East, Africa and South America, Skyworth has also formed overseas subsidiaries, all in a concerted effort to solidify existing foundation while engaging in ongoing exploration and expansion. We have every faith that Skyworth will continue to grow, make greater progress and further expand its sales network in the next five years.

**Gross profit margin**

For the nine months ended 31 December 2018, the overall gross profit margin of the Group was 18.7% (twelve months ended 31 March 2018: 16.7%).

For the twelve months ended 31 December 2018, the overall gross profit margin of the Group was 18.5% representing an increase of 1.6 percentage points in comparison to 16.9% recorded in the Same Period of Previous Year.

During the Period under Review, multiple integrated methods were adopted to increase the gross profit margin of our TV products. In light of a reduction in the price of upstream panel, the Company lowered prices in line with market trends, and launched the MAXTV and OLED series, which focused on user experience through product differentiation, thus further expanding its presence in larger-sized (55-inch and over) products. At the same time, the Group disposed of cooperative projects of low and negative gross profit margin in overseas markets, reinforced cooperation with core customers, thereby further improving service standards and product competitiveness. As a result, the gross profit margin of our TV products in overseas markets increased on a year-on-year basis.

Relying on strong research and development capabilities, our digital set-top boxes have been well received by customers. During the Period under Review, the Group managed to offset part of the effect from higher raw material prices through an appropriate increase in product prices. Additionally, we also increased the shipment proportion of products of high added-values, which drove a year-on-year growth in both gross profit margin and revenue as compared with the Same Period of Previous Year. As a result, digital set-top boxes made greater contribution to the Group's growth in gross profit margin during the Period under Review.

**Expenses**

For the nine months ended 31 December 2018, the Group's selling and distribution expenses amounted to RMB2,862 million (twelve months ended 31 March 2018: RMB3,873 million). The selling and distribution expenses to revenue ratio for the nine months ended 31 December 2018 was 9.5% (twelve months ended 31 March 2018: 9.9%).

For the twelve months ended 31 December 2018, the Group's selling and distribution expenses amounted to RMB3,689 million, representing a decrease of RMB436 million or 10.6% compared with the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the twelve months ended 31 December 2018 was 9.5%, which dropped by 1.1 percentage points from that recorded in the Same Period of Previous Year.

During the Period under Review, the Group's general and administrative expenses amounted to RMB2,160 million (twelve months ended 31 March 2018: RMB2,472 million). The general and administrative expenses to revenue ratio for the nine months ended 31 December 2018 was 7.1% (twelve months ended 31 March 2018: 6.3%).

For the twelve months ended 31 December 2018, the Group's general and administrative expenses amounted to RMB2,764 million, representing an increase of RMB323 million or 13.2% compared with the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the twelve months ended 31 December 2018 was 7.1%, which rose by 0.8 percentage points from that recorded in the Same Period of Previous Year.

Since the Group devoted enormous resources during the Current Reporting Period to the research and development of premium smart products and the improvement of its corporate competitiveness, a corresponding increase was recorded in research and development expenses, which amounted to RMB1,327 million for the nine months ended 31 December 2018 (twelve months ended 31 March 2018: RMB1,498 million). Research and development expenses amounted to RMB1,688 million for the twelve months ended 31 December 2018, representing an increase of RMB257 million or 18.0% compared with the Same Period of Previous Year.

**LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT**

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2018, net current assets was RMB8,636 million, representing a decrease of RMB1,095 million or 11.3% when compared with that as at 31 March 2018, also a decrease of RMB83 million or 1.0% when compared with those as at 31 December 2017. As at 31 December 2018, bank balances and cash amounted to RMB3,314 million, representing a decrease of RMB3,980 million or 54.6% when compared with those as at 31 March 2018, also a decrease of RMB3,135 million or 48.6% when compared with those as at 31 December 2017. As at 31 December 2018, pledged bank deposits amounted to RMB123 million, representing a decrease of RMB211 million or 63.2% when compared with those as at 31 March 2018, also a decrease of RMB235 million or 65.6% when compared with those as at 31 December 2017. As at 31 December 2018, restricted bank deposits amounted to RMB335 million, representing a decrease of RMB179 million or 34.8% when compared with those as at 31 March 2018, also a decrease of RMB239 million or 41.6% when compared with those as at 31 December 2017.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2018, such secured assets included bank deposits of RMB123 million (as at 31 March 2018: RMB334 million), trade receivables of RMB25 million (as at 31 March 2018: RMB26 million), bills receivables of RMB500 million (as at 31 March 2018: RMB460 million), as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with net book value of RMB242 million (as at 31 March 2018: RMB260 million).

As at 31 December 2018, total bank loans amounted to RMB6,324 million (as at 31 March 2018: RMB7,476 million; as at 31 December 2017: RMB6,608 million), corporate bonds (inclusive of interest) amounted to RMB2,026 million (as at 31 March 2018: RMB2,050 million; as at 31 December 2017: RMB2,026 million). Overall interest-bearing liabilities of the Group were RMB8,350 million (as at 31 March 2018: RMB9,525 million; as at 31 December 2017: RMB8,634 million), equity attributable to owners of the Company amounted to RMB15,470 million (as at 31 March 2018: RMB14,922 million; as at 31 December 2017: RMB14,204 million). The debt to equity ratio revealed as 48.1% (as at 31 March 2018: 57.6%; as at 31 December 2017: 56.1%).

## TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in HK$, US dollar and Euro. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. The management of the Group regularly reviews changes in foreign exchange rates and its interest rate exposures, in order to determine the need on hedging of foreign exchange. However, faced with a number of uncertainties, including, among others, the US-China trade war, the UK's exit fr om the EU and another interest-rate hike cycle, it is now more difficult to predict future changes in interest rates. For the nine months ended 31 December 2018, the Group recorded a net foreign exchange gain of RMB67 million (twelve months ended 31 March 2018: loss of RMB246 million) associated with general operation.

In addition, the Group still holds the following investments during the Current Period:

**(a)** Unlisted equity securities

As of 31 December 2018, the Group held investments in 40 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB1,911 million, of which RMB1,489 million represented the Group's investment in a PRC investee company in which the Group held 10% equity interest. The principal business activity of such investee company is manufacturing and sale of flat screen display, display materials, LCD related products and other electronic accessories.

(b) Listed equity securities

As of 31 December 2018, the Group held two listed equity securities, details of which are as follows:

| **Listed company** | **Shareholding as at 31 December 2018** | **Value of invest ment as at 31 December 2018** (RMB million) | **Value of investment as at 31 March 2018** (RMB million) | **Exchange on which the securities are listed** | **Principal business of the listed company** |
|---|---|---|---|---|---|
| Chigo Holding Limited | 5.04% | 27.9 | 34.8 | The Stock Exchange of Hong Kong Limited | Manufacturing and sale of air-conditioners |
| Ningbo Exciton Technology Co., Limited | 0.89% | 18.2 | 28.8 | The Shenzhen Stock Exchange | Manufacturing and sale of flat screen displays |

The management looks upon these two listed equity securities as medium to long term investments, and their businesses are similar to those of the Group. Our judgment on their performance coincides with the whole electronic industry, which is one of the main business sectors being advocated by the Chinese government, though returns from these investments might still be affected by market uncertainties. The management will take a prudent approach to deal with these investments and take necessary actions to cope with market changes.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

For the nine months ended 31 December 2018, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of approximately RMB325 million in construction projects, including the expansion of its production plants in Nanjing, Guangzhou and Shenzhen, and approximately RMB535 million for purchasing machinery and other equipment for production lines and improvement of facilities in former production plants. The Group planned to further invest approximately RMB569 million in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of intelligent, diversified and internationalised products.

For the nine months ended 31 December 2018, having made a successful bid through an open tender auction, a subsidiary of the Group purchased a parcel of land located in Quanjiao County, Anhui Province, the PRC, at the consideration of approximately RMB1,052 million. This land parcel has a site area of 497,559 sq.m., and the Group intends to develop it, for sale purposes, into a residential area with commercial facilities.

## CONTINGENT LIABILITIES

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

## HUMAN RESOURCES CAPITAL

As at 31 December 2018, the Group had around 37,000 employees in China (Hong Kong and Macau inclusive) and overseas (as at 31 March 2018: 36,000), including sales personnel situated throughout 33 branches and 239 sales offices. The Group places high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in an effort to motivate and recognise staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical updates on the latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, provides guidance on position titles, salary norms, and gradually establishes a long-term centralised mechanism for the selection, training and development of industry leaders. It also sets up a specified department to enhance the professionalism of general staff and the leadership skills of its senior management.

The Group’s remuneration policy is determined with reference to individual performance, functions and conditions of human resources market.

## OUTLOOK

Looking ahead, enabled by fast economic and scientific development, people are becoming keener on improving their quality of life. Driven by innovation resulting from the internetisation, digitalisation and smartisation of various technologies, such as the internet, IoT, AI, cloud computing and big data, the Group is now operating in a new era of home appliance industry and consumption upgrade, with accelerated development of home appliances towards high-end finishes, smart capabilities and multiple functions. While the home appliance industry is faced with daunting challenges, it is also given great opportunities for future development. The Group will pay close attention to the trends in the global electronic information industry, fully comprehend new features and new technologies emerging in the smart home appliance industry, prioritise innovation-driven, technology-driven and capacity-driven development, with a view to staying focused on the promotion of transformation and upgrading.

To accelerate its reform and upgrade, the Group actively takes part in the national initiative of developing China into a manufacturing powerhouse. Adhering to its corporate philosophy of “innovation, entrepreneurship and pursuing future growth”, the Group has established a five-year overall strategic direction for upgrading through reformation (also known as the “1334 Strategy”), under which it will organise operations around the objective of reaching the revenue threshold of one hundred billion, which will entail the full implementation of three key strategies, namely operation smartisation, refinement and internationalisation. By promoting the construction of its three key projects (namely the headquarters base, the Pearl River Delta smart manufacturing base and the Yangtze River Delta smart manufacturing base), together with the development of its four key business sectors (namely multimedia, smart appliances, smart systems technology and modern services), the Group aims to transform Skyworth into a leading enterprise in the field of smart home appliances and information technology that is known for advanced technologies of its key products, sound corporate governance, effective operations, stringent supervision, adequate incentives and global competitiveness.

In the coming years, Skyworth aims to promote the extensive implementation of its “1334 Strategy”, making further progress and substantial improvement. The Group will strictly follow the general principles of reform, innovation and development, allocating additional resources to the development and utilisation of new technologies, such as ultra-HD video, AI, IoT and 5G connectivity, the Group will also accelerate the deep integration among hardware, software, systems, content and services, increase its effort in integrating key supporting resources in the upstream and downstream industries, so as to build an ecosystem for the smart appliance industry, injecting new momentum and driving faster development. The Group’s management is confident that Skyworth is well positioned to seize opportunities arising from the current home appliance industry and consumption upgrade, and that through its work in the next few years, Skyworth will be able to accelerate industrial transformation, technological upgrading and product innovation, thereby promoting sustainable development for the longer term.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the Reporting Period 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.1.1 and A.6.7 of the CG Code.

Code provision A.6.7 of the CG Code stipulates that the independent non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Two of our independent non-executive Directors, namely Mr. Li Weibin and Mr. Li Ming, were unable to attend the annual general meeting of the Company held on 2 August 2018 as they had other engagement.

Furthermore, code provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company had changed the financial year end date from 31 March to 31 December, for efficiency consideration the Board had held 3 regular meetings instead of 4 as required by the code provision A.1.1 during the Reporting Period.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established by the Board since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited 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 effect from 1 January 2016, the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments. The terms of reference of the Audit Committee was published on the Company's website (http://investor.skyworth.com/en/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 period results of the Group for the Reporting Period.

## 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 nine months ended 31 December 2018 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 period. 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the code of conduct regarding securities transactions by Directors (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 each of the Directors that he/she had complied with the Code of Conduct throughout the Reporting Period.

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

During the Reporting Period, 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 Period of 6.0 HK cents (in cash) per share of the Company (for the year ended 31 March 2018: 9.0 HK cents), totalling approximately RMB157 million (for the year ended 31 March 2018: RMB241 million) as at the date of this announcement to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 11 June 2019, and the retention of the remaining profit for the Reporting Period in reserves.

## CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 28 May 2019 (Tuesday) to 31 May 2019 (Friday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for attendance at the 2019 annual general meeting, 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 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 May 2019 (Monday).

## CLOSURE OF THE REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from 6 June 2019 (Thursday) to 11 June 2019 (Tuesday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend payable on or around 26 June 2019 (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 5 June 2019 (Wednesday).

## PUBLICATION OF PERIOD RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This period results announcement is published on the Company's website (http://investor.skyworth.com/en/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company's 2018 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 our shareholders and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions throughout the Reporting Period.

By order of the Board
**Skyworth Digital Holdings Limited**
**Lai Weide**
*Chairman of the Board*

Hong Kong, 28 March 2019

*As at the date of this announcement, the Board of the Company comprises Mr. Lai Weide as the Chairman of the Board; Mr. Liu Tangzhi as executive Director and the chief executive officer; Ms. Lin Wei Ping, Mr. Shi Chi and Mr. Lin Jin as executive Directors; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as independent non-executive Directors.*