Skyworth

創維數碼控股有限公司

SKYWORTH DIGITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

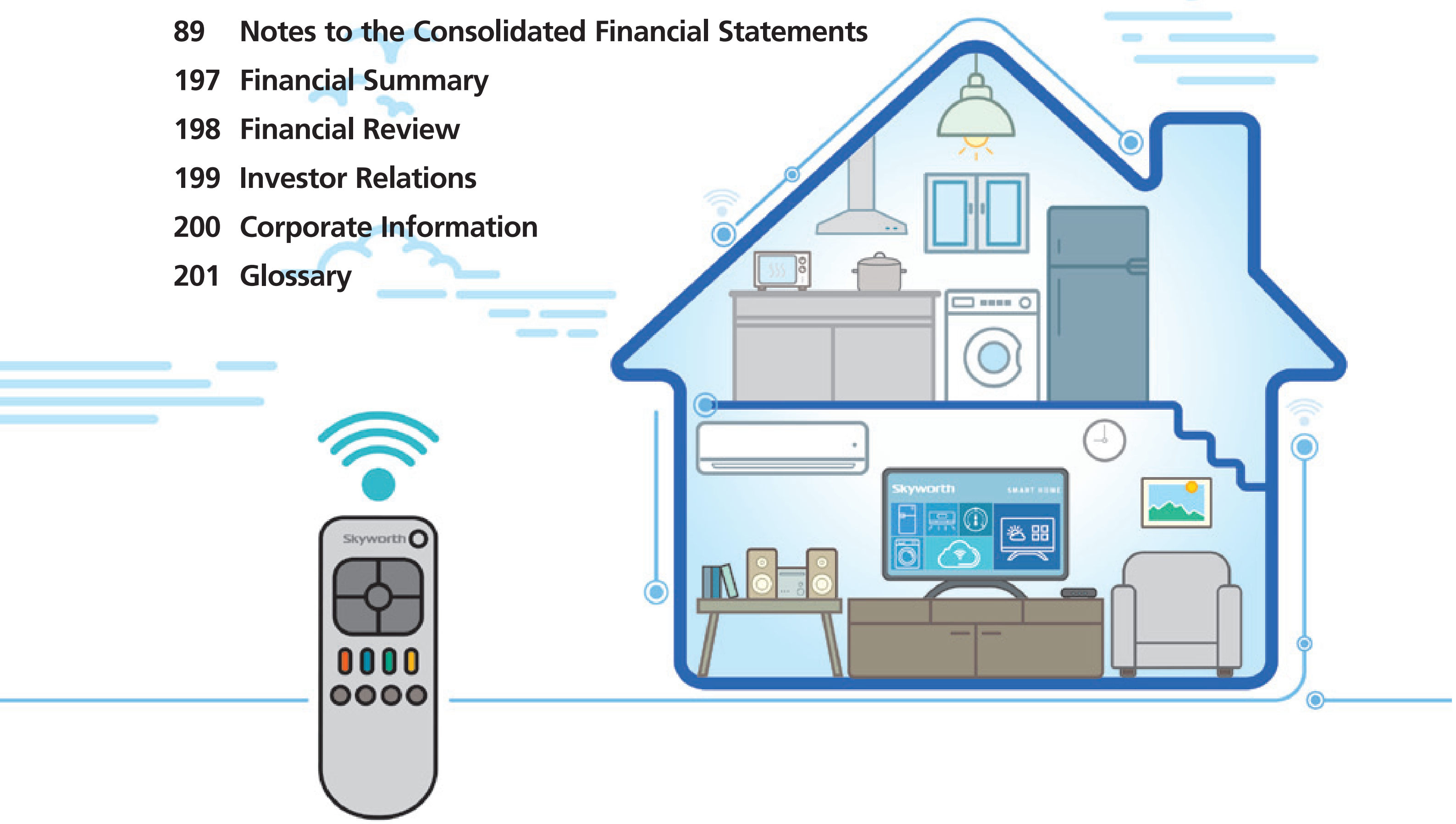
# Annual Report 2016/17


Skyworth

Health-tech Integration

# CONTENTS





# Financial Highlights

Amount expressed in HK$ million (except for share data)

| | 2017 | 2016 | Change |
|---|---|---|---|
| **OPERATING RESULTS** | | | |
| Revenue | **42,845** | 42,695 | +0.4% |
| EBIT | **2,339** | 3,389 | –31.0% |
| EBITDA | **3,040** | 4,050 | –24.9% |
| Net Profit for the year | **1,529** | 2,527 | –39.5% |
| Profit attributable to owners of the Company | **1,310** | 2,170 | –39.6% |
| **FINANCIAL POSITION** | | | |
| Net cash from operating activities | **449** | 1,187 | –62.2% |
| Cash position* | **5,105** | 5,516 | –7.5% |
| Borrowings | **7,992** | 8,105 | –1.4% |
| Equity attributable to owners of the Company | **15,479** | 15,092 | +2.6% |
| Working capital | **9,298** | 10,675 | –12.9% |
| Bills receivable | **6,477** | 7,245 | –10.6% |
| Trade receivables | **5,671** | 5,290 | +7.2% |
| Inventories | **6,666** | 5,494 | +21.3% |
| **KEY RATIOS** | | | |
| Gross profit margin (%) | **20.0** | 21.9 | –1.9pp |
| EBIT margin (%) | **5.5** | 7.9 | –2.4pp |
| EBITDA margin (%) | **7.1** | 9.5 | –2.4pp |
| Profit margin (%) | **3.6** | 5.9 | –2.3pp |
| ROE (%) | **8.5** | 14.4 | –5.9pp |
| Debt to equity (%)** | **47.5** | 48.5 | –1.0pp |
| Net debt to equity*** | **Net Cash** | Net Cash | N/A |
| Current ratio (times) | **1.4** | 1.5 | –6.7% |
| Trade receivables turnover period (days)**** | **105** | 108 | –2.8% |
| Inventories turnover period (days) **** | **65** | 55 | +18.2% |
| **DATA PER SHARE (HK CENTS)** | | | |
| Earnings per share – Basic | **44.64** | 75.89 | –41.2% |
| Earnings per share – Diluted | **44.14** | 74.88 | –41.1% |
| Dividend per share | **14.60** | 24.00 | –39.2% |
| Book value per share | **552.70** | 568.02 | –2.7% |
| **SHARE INFORMATION AT FINANCIAL YEAR END** | | | |
| Skyworth Digital Holdings Limited (shares are listed in Hong Kong, stock code: 00751) | | | |
| Number of shares in issue (million) | **3,042** | 2,940 | +3.5% |
| Market capitalisation | **15,575** | 14,112 | +10.4% |
| Skyworth Digital Co., Limited (shares are listed in Shenzhen, stock code: 000810) | | | |
| Number of shares in issue (million) | **1,035** | 999 | +3.6% |
| Market capitalisation | **15,391** | 24,676 | –37.6% |

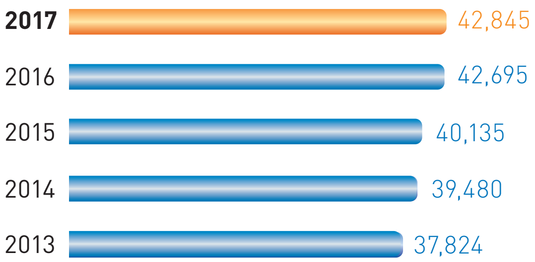
* *Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash*

** *Borrowings/total equity*

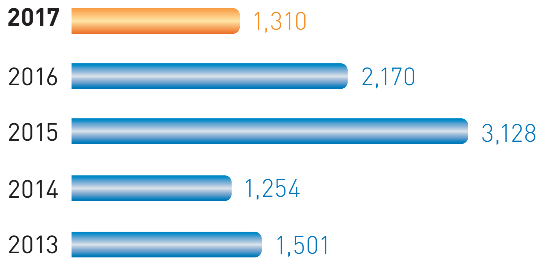
*** *Calculation based on (cash position + bills on hand – borrowings)/total equity*

**** *Calculation based on average inventories; average sum of bills receivable and trade receivables*

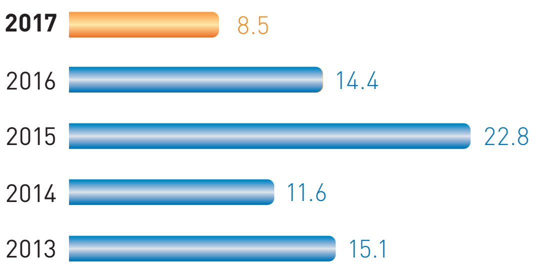
## Revenue
(HK$ million)



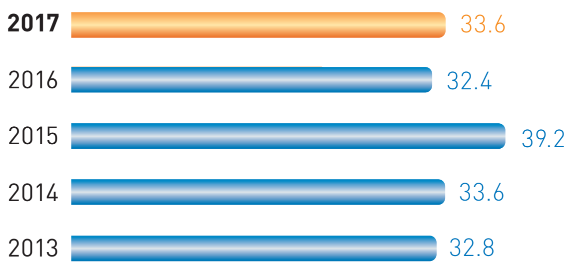

## Profit Attributable to Owners of the Company
(HK$ million)



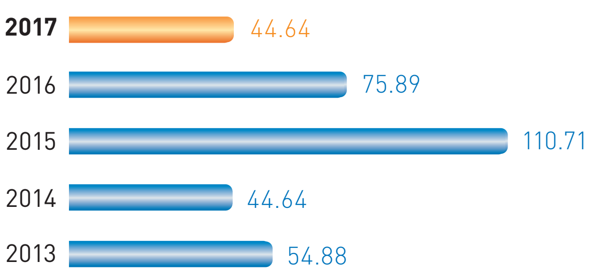

## ROE
(%)



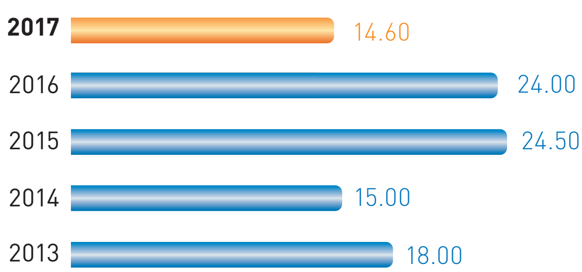

## Dividend Payout Ratio
(%)




## Earnings Per Share – Basic
(HK cents)




## Dividend Per Share
(HK cents)



# Financial Highlights

**HIGHLIGHTS OF RESULTS**

The Group recorded the following results for the reporting year:

- Revenue amounted to HK$42,845 million, representing an increase of 0.4% compared to the previous year.

- Sales of TV products accounted for 69.2% of the Group's total revenue, while digital set-top boxes and LCD modules accounted for 15.3% of the Group's total revenue. In the previous year, the comparative proportions were 70.5% and 15.7% respectively.

- Gross profit achieved HK$8,567 million, decreased by 8.5%. While, the gross profit margin was 20.0%, decreased by 1.9 percentage points compared with that of the previous year.

- Profit for the year and profit for the year attributable to the owners of the Company for the reporting year were HK$1,529 million and HK$1,310 million respectively, which were decreased by 39.5% and 39.6% respectively, on a year-on-year basis.

- The Board has proposed a final dividend of HK5.0 cents per share of the Company with an option to elect new shares of the Company in lieu of cash. This represents a dividend payout ratio of 33.6 % for the whole year.

# CHAIRMAN'S STATEMENT

Looking back at 2016/17, both the mainland China market and the international market faced a turbulent change in the overall economic environment. Economic situations influencing consumer confidence in the mainland China such as RMB depreciation, rising operating costs, and capital outflows, etc., all of these have a significant impact on the traditional manufacturing enterprises. From a point of view at the international level, the separatism of European countries; concerns about whether the dominant ideology towards the global economic core will be changed after the US presidential election; the appreciation of the US dollars led to the instability of the emerging countries' currencies, all of the above situations are testing the responding ability of the enterprises that planned to "reaching out", and investors are taking the "wait and see" attitude.


Facing various uncertainties, the Group remains to develop in a steady manner, and our priority is to consolidate our leading core businesses to seek for opportunities. For the reporting year, our revenue amounted to HK$42,845 million, representing an increase of 0.4% compared to the same period of last year. However, the continued rising costs of major raw materials such as LCD panels, coupled with the aggressive pricing policies of those emerging internet companies, the Group's operation was under pressure as a whole. Thus results in a substantial decline in the net profit amounting to HK$1,529 million, equivalent to 39.5% compared to the same period last year. The operating pressure was mainly attributable to the impact of the sales decline in the mainland China, though we achieved fruitful results in the overseas sales performance. Overseas TV sales volume and revenue were recorded approximately 7 million units and HK$8,937 million, an increase of 57.4% and 49.4% compared to last financial year. This depends on our international strategic path, and the multi-faceted investment policy previously settled, and by ways of acquiring channels, supply chains, and brands to help Skyworth building a solid foundation.

In order to adapt to the market changes, we have also upgraded the original strategy, mainly revolve around three major directions: "intelligence", "delicacy" and "international". "Intelligent" represents the extension beyond intelligent products to intelligent system, by ways of development and appliance of family, automobile, and urban intelligent system technology, as an aim to provide users with a healthy, comfortable, safe and convenient environment experience. "Delicacy"represents the continuity to promote intelligent manufacturing and meticulous management by improvement of product quality and assembled standard, as a consequence to reduce our production costs. "International" represents that we will continue to strengthen the consolidation and groundworks of the overall international layout, keep focusing on OEM and ODM so as to enhance the penetration of our own brands. We have further optimised our global supply chain, such as the acquisition of Toshiba factory in Indonesia in this financial year, that prove to be an important part of the production process in the Southeast Asia, of which effectively reduced the regional supply chain costs. In the future, we will also explore more opportunities for mergers and acquisitions in order to expand our overseas sales network steadily. Looking forward to 2017/18, it is expected to meet 9 million units for our overseas TV sales, accounting for 47.4% of the overall TV sales.

On the foundation to implement the three major strategies, we will also strive to optimise organisational structure and business structure, to create four major sectors including multimedia, smart appliances, intelligent systems technology and modern service industry, facilitating Skyworth to achieve our target for development transition, technology upgrades and products regeneration.

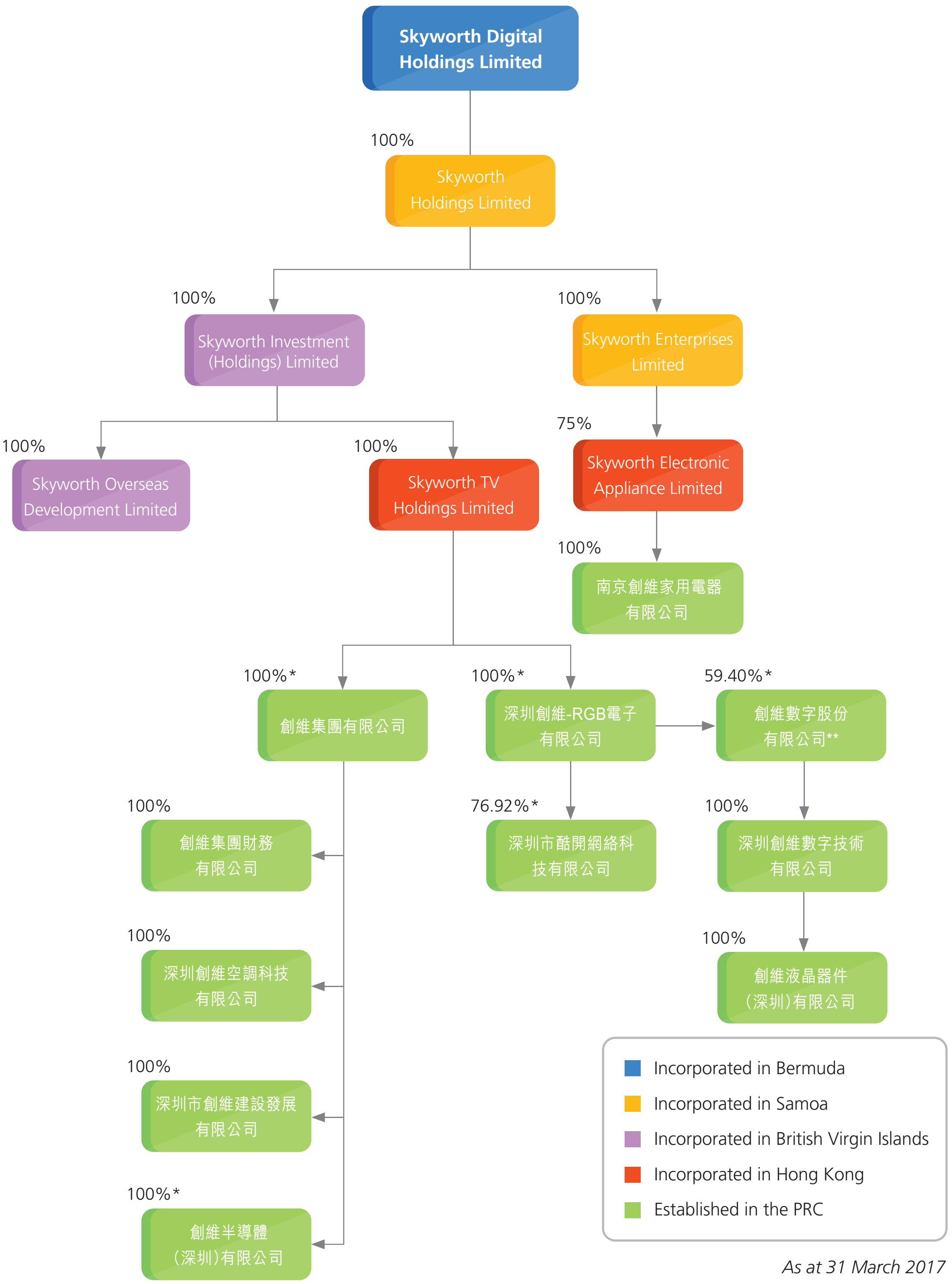

In this financial year, I am honoured to be invited to join the Board and work with the capable and experienced Directors and management. On 18 March 2017, Mr. Li Ming was appointed as an independent non-executive Director in place of Mr. Wei Wei as the expiration of his service contract; Mr. Yang Dongwen ("Mr. Yang") has re-designated as a non-executive Director on 1 April 2017 and at the same time resigned as the chief executive officer as he wishes to devote more time to his personal commitments. On behalf of the Board, I sincerely give thanks to Mr. Yang and Mr. Wei Wei for their contributions in Skyworth throughout the years. On the same date, the Board was pleased to announce that Mr. Liu Tangzhi ("Mr. Liu") was appointed as the chief executive officer, with his proven experience in the television industry, we hope to see Mr. Liu leading Skyworth to the next milestone.

Finally, on behalf of the Board, I would like to express my appreciation and gratitude to our shareholders, business associates, customers and suppliers for their ongoing support and trust, especially to our colleagues and management team, who are the cornerstone of the success of the Group, for their efforts and contributions. The Company will follow the mission and vision of the management team and rely on the efforts made by over 38,000 dedicated and loyal staff of the Group, I am confident that we have the ability to meet the challenges ahead and seize available opportunities. Our view towards 2017/18 is a year full of opportunities, and a year to march forward to our "hundred billion" goal with diverse of changes. Through the Group's overall strategic escalation, our team will achieve better returns for all Skyworth stakeholders.


Yours sincerely,

**Lai Weide**
*Chairman of the Board*
13 June 2017

# Simplified Corporate Structure




*As at 31 March 2017*

* *Effective Interest of Skyworth Digital Holdings Limited*

** *Shares are listed on Shenzhen Stock Exchange, stock code: 000810*

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL AND FINANCIAL REVIEW

### Overall Business Review

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

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

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

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

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

– Accumulated activated users for Internet TV: 22,175,872

– Weekly active users for Smart TV: 10,507,126

– Daily active users for Smart TV: 8,616,214

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

## Business Review by Geographical and Product Segments

### Mainland China Market

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

For the mainland China Market, TV sales accounted for 68.3% of the total mainland China revenue, while sales of digital set-top boxes and LCD modules and white appliances accounted for 13.6% and 6.0%, respectively. Other business units included those engaging in financial services, property leasing, lighting products, property development, security system, air conditioning and other electronic products etc., attributed to the remaining 12.1%.

#### *TV products*

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

The TV industry development is gradually aligning with the trend of intelligent integration in combination of the expansion of e-commerce market that offered introduction of a "hardware + content + service" business model, implanted in its interconnected subsidiary Coocaa Company (an indirect non-wholly owned company). A leading online video platform company "IQiYi" invests a total sum of RMB150 million in Shenzhen Coocaa to engage a long-term collaboration on developing entertainment platform within the electronic commerce market. The business collaboration will favour in promoting the TV business development in content while consolidate its growth momentum. In the reporting year, Coocaa TV brand sales volume accounted for 8.3% within the mainland China's TV market. In overall, the related film and TV, games, advertising, education and the other content revenue were accounted to HK$166 million.

### *Digital set-top boxes and LCD modules*

For the reporting year, the revenue of digital set-top boxes and LCD modules in mainland China market recorded HK$4,110 million (2016: HK$3,990 million), representing an increase of 3.0% or HK$120 million when compared with the previous year. The revenue of digital set-top boxes represented 79.7% or HK$3,276 million.

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

### *White Appliances*

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

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

## Overseas Markets

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

### *TV products*

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


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


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

### *Digital set-top boxes and LCD modules*

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

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

### *Geographical distribution in overseas markets*

During the reporting year, the Group's major overseas markets are in Asia, America, Europe and Middle East, which contributed 91.0% (2016: 92.0%) of the total overseas revenue. The geographical distribution of the revenue in percentage for overseas markets is illustrated as follows:

| | Twelve months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **(%)** | (%) |
| Asia | **44** | 45 |
| America | **18** | 20 |
| Europe | **16** | 14 |
| Middle East | **13** | 13 |
| Africa | **9** | 8 |
| | **100** | 100 |

## Gross Profit Margin

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

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

## Expenses

The Group's selling and distribution ("S&D") expenses were mainly comprised of promotion and marketing, management fees, salaries and wages for sales teams, repair and maintenance, and transportation. For the reporting year, S&D expenses increased by HK$335 million or 7.0% from HK$4,756 million in previous year to HK$5,091 million. The S&D expenses to revenue ratio increased by 0.8 percentage points from 11.1% to 11.9%.

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

## LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group has adopted a prudent financial policy to maintain a stable financial growth. At the end of the reporting year, the Group's net current assets amounted to HK$9,298 million (2016: HK$10,675 million), decreased by HK$1,377 million or 12.9% from 31 March 2016. Bank balances and cash amounted to HK$4,336 million (2016: HK$4,621 million), representing a decrease of HK$285 million, compared with that as at 31 March 2016. Restricted bank deposits amounted to HK$479 million (2016: HK$402 million), which was increased by HK$77 million in comparison to last year. Pledged bank deposits amounted to HK$290 million (2016: HK$493 million) decreased by HK$203 million.

At the end of the reporting year, secured assets included HK$290 million pledged bank deposits (2016: HK$493 million), finance lease receivables of HK$151 million (2016: HK$158 million), trade receivables of HK$4 million (2016: HK$88 million), loan receivables of HK$228 million (2016: nil), bills receivables of HK$420 million (2016: HK$300 million) as well as certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$477 million (2016: HK$286 million).

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

## TREASURY POLICY

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

The management of the Group regularly reviews the foreign currency and interest rate exposures, in order to determine the need on hedging of foreign exchange. As the USA is entering into a rate hike cycle, it is expected that RMB will slightly depreciate in a steady pace. Since RMB is the major transaction currency of the Group, the Group is not expected to expose to a significant exchange rate risk due to the fluctuation of RMB. In addition, the Group has been reducing loans and payables denominated in US$, while promoting RMB as the overseas procurement settlement currency, so as to minimise its foreign exchange exposure. During the reporting year, the Group recognised HK$175 million net foreign exchange gains (2016: HK$7 million) associated with general operation.

## SIGNIFICANT INVESTMENTS AND ACQUISITION

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

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

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

## CONTINGENT LIABILITIES

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

## HUMAN RESOURCES CAPITAL

At the end of the Reporting Year, the Group had over 38,000 (2016: 38,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 36 branches and 208 sales offices. The Group highly emphasises on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in motivation and recognition of staff with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set. Such details, along with information on the duties and services performed by the Remuneration Committee and Nomination Committee will be disclosed in the Corporate Governance Report in Company's 2016/17 annual report.

## OUTLOOK

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

The Group expects the sales volume of TV products to meet 19 million units in 2017/18, inclusive of 10 million units (comprises 5.5 million of 4K Smart TVs) in mainland China market and 9 million units in overseas markets.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

**Mr. Lai Weide**, aged 58, is the Chairman of the Board, an Executive Director and a director of certain subsidiaries of the Company. He is a senior accountant and holds a master's degree in engineering from University of Electronic Science and Technology of China. Mr. Lai was appointed as the Chairman of the Board and an Executive Director on 8 July 2016.

Mr. Lai has served as deputy director-general and director-general of the Ministry of Machine-Building and Electronics Industry of The People's Republic of China; deputy head and head of the Assets and Finance Department; deputy general manager of China Electronic Corporation; chairman and general manager of Nanjing Electronic Information Industrial Corporation; chairman of Panda Electronic Group Limited and chairman of Caihong Group Corporation, etc. Mr. Lai was chairman and executive director of Nanjing Panda Electronics Company Limited (stock code: 00553, a company listed and traded on the main board of Stock Exchange), chairman of Nanjing Huadong Electronics Information & Technology Company Limited# (南京華東電子信息科技股份有限公司) (stock code: 000727, a company listed on the Shenzhen Stock Exchange). He has engaged in the work of management in central government and state-owned enterprises for a long period and has substantial experience in government authority and business management.

Save and except for the relationship with the Group mentioned above, Mr. Lai does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Lai has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 33 to 40 of this annual report.

**Mr. Liu Tangzhi**, aged 54, joined the Group in 1998. Mr. Liu is an Executive Director and a director of certain subsidiaries of the Company. He was appointed as the chief executive officer of the Company on 1 April 2017, the president of Skyworth Group Co., Ltd. and Shenzhen Chuangwei-RGB Electronics Co., Ltd.

Mr. Liu graduated from the Zhongnan University of Economics and Law in Wuhan with a bachelor's degree in economics, and graduated from Macao University of Science and Technology with a master's degree in business administration.

Save and except for the relationship with the Group mentioned above, Mr. Liu does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Liu has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 33 to 40 of this annual report.

# English translation is not official and is provided for reference only

**Ms. Lin Wei Ping**, aged 59, is an Executive Director, a member of each of the Remuneration Committee and Nomination Committee and a director of certain subsidiaries of the Company. Ms. Lin was appointed as the executive chairperson of the Company on 1 April 2013 and resigned on 8 July 2016.

Ms. Lin joined the Group in 1993. Ms. Lin was the deputy manager of purchasing department and administration manager in Hong Kong and subsequently, the head of human resources department of the Group, primarily responsible for material purchasing from overseas market and administration and human capital management for certain companies within the Group.

Ms. Lin graduated from South China University of Technology in the PRC with a bachelor degree in electronic engineering. Before joining the Group, Ms. Lin had worked in the Ministry of Information Industry in the PRC as a research engineer.

Ms. Lin is the spouse of Mr. Wong Wang Sang, Stephen, who is a former Non-Executive Director and a controlling shareholder of the Company. Save and except for the relationship mentioned above, Ms. Lin does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of her interests on pages 33 to 40 of this annual report.

**Mr. Shi Chi**, aged 46, is an Executive Director of the Company. He joined the Group in 2000 and is a director and the president of Skyworth Digital Co. Ltd., which is a subsidiary of the Company and is listed on the Shenzhen Stock Exchange (Stock code: 000810.SZ), in which Mr. Shi holds 3.55% of the shareholding. He is also a director of certain subsidiaries of the Company.

Mr. Shi graduated from Huazhong University of Science & Technology with a Doctorate degree in Communication and Electronic System. Mr. Shi has been participating in numerous national and provincial projects on technological researches, in charge of designing several high-end digital television products and publishing over 20 articles in various professional and science journals. He is the vice president of China Radio and TV Equipment Industry Association, the president of Shenzhen Young Science and Technology Talents Association and the vice president of Shenzhen Software Industry Association.

Save and except for the relationship with the Group mentioned above, Mr. Shi does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 33 to 40 of this annual report.

## NON-EXECUTIVE DIRECTOR

**Mr. Yang Dongwen**, aged 52, is a Non-Executive Director of the Company. Mr. Yang was appointed as the chief executive officer of the Company in 2012 and was re-designated as a Non-Executive Director on 1 April 2017. Prior to the re-designation, he was also an Executive Director, a director of certain subsidiaries of the Company and the president of Skyworth Group Co., Ltd.

Mr. Yang joined the Group in May 1998 as the financial controller of the finance headquarters in the PRC and from August 2000 to August 2003, he was the general manager of the sales headquarters of the Group in the PRC. Mr. Yang left the Group in August 2003 for 2 years working for Oriental Yeyang Textile Co., Ltd. as president. He rejoined the Group in September 2005 as the president of the China TV business unit of the Group, responsible for managing the research, manufacture and sales of the Group's television products. Mr. Yang graduated from Zhongnan University of Economics and Laws in the PRC with a bachelor's degree in economics and law and graduated from Nankai University in the PRC with a master's degree in Law. He served as the director of the accountancy department and an associate professor of the School of Economics in Hainan University in the PRC in his early years, and he was later the chairman of the Hainan Zhongda Certified Public Accountants firm.

Save and except for the relationship with the Group mentioned above, Mr. Yang does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Yang has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 33 to 40 of this annual report.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheong Ying Chew**, **Henry**, aged 69, is an Independent Non-Executive Director, the chairperson of Audit Committee, a member of each of the Remuneration Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 1 January 2015.

Mr. Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London. Mr. Cheong has over 40 years of experience in the securities industry.

He is also an independent non-executive director of Cheung Kong Property Holdings Limited, Cheung Kong Infrastructure Holdings Limited, TOM Group Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and New World Department Store China Limited, all being companies listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, and an executive director and the deputy chairman of Worldsec Limited, a company listed in London. He was previously an independent non-executive director of Creative Energy Solutions Holdings Limited (now known as Kirin Group Holdings Limited), Cheung Kong (Holdings) Limited and CK Hutchison Holdings Limited. He was also a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission.

Save and except for the relationship with the Group mentioned above, Mr. Cheong does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

**Mr. Li Weibin**, aged 55, is an Independent Non-Executive Director, the chairperson of Remuneration Committee, a member of each of the Audit Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 10 March 2000.

Mr. Li is a practicing solicitor in Hong Kong and is the founder and senior partner of Li & Partners, a firm of solicitors in Hong Kong. He graduated from the China University of Political Science and Law in Beijing, the postgraduate school of the Chinese Academy of Social Sciences in Beijing and the University of Hong Kong with a bachelor degree in law, a master degree in law and a bachelor degree in common law, respectively. Mr. Li is also admitted to practice law in the PRC, England and Wales and New York, USA. Mr. Li is a China-appointed attesting officer, a visiting professor in the China University of Political Science and Law and has worked in the legal field for over 30 years.

Save and except for the relationship with the Group mentioned above, Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 33 to 40 of this annual report.

**Mr. Li Ming**, aged 54, is an Independent Non-Executive Director, the chairperson of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee. He was appointed as an Independent Non-Executive Director on 18 March 2017.

Mr. Li graduated from Jiangxi Finance Institute (now known as Jiangxi University of Finance & Economics) majoring in planning statistics.

Mr. Li is currently the chairman and executive director of China Ocean Industry Group Limited (stock code: 00651, a company listed on the main board of Stock Excange) and a non-executive director of DST Robot Co., Ltd. (stock code: A090710, a company listed on the Korea Stock Exchange). Prior to joining the Company, Mr. Li held senior positions in a number of well-known companies in PRC and was an executive director of Shenzhen Microgate Technology Co. Ltd. (stock code: 300319, a company listed on the Shenzhen Stock Exchange) from May 2012 to October 2013. He has extensive experience in management and business planning.

Save and except for the relationship with the Group mentioned above, Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 March 2017, Mr. Li does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

## SENIOR MANAGEMENT

**Mr. Sun Ruikun**, aged 53, joined the Group in September 2013. He is the vice president of the Group, head of human resources department and also a director of certain subsidiaries of the Company.

Mr. Sun graduated from the Nankai University of Economics with a bachelor's degree in history, and graduated from the China Europe International Business School with a master degree in executive business administration.

Mr. Sun has more than 30 years of management experience in the field of government authorities, large government-owned businesses and investments. He was an investment partner of Qiming Venture Partners, a vice president of ShangHai HuaHong Group, a vice president and deputy president of Shanghai HuaHong NEC Electronics Company Limited, a chairperson and chief executive officer of Shanghai HuaHong Integrated Circuit Company Limited, a chairperson of Beijing HuaHong IC Design Company Limited, a deputy secretary-general of Chinese Institute of Electronics, a deputy chairperson and chairperson of presidium of China Semiconductor Industry Association, and a deputy chairperson of Shanghai Semiconductor Association. Prior to this, Mr. Sun worked in the former PRC Economic and Trade Committee, PRC State Planning Committee, PRC Ministry of Electronic Industry, General Office of the CPPCC National Committee.

Save and except for the relationship with the Company as mentioned above, Mr. Sun does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholders of the Company.

**Mr. Lam Shing Choi, Eric**, aged 45, is the Company Secretary and the group financial controller of the Company.

Mr. Lam joined the Group in March 1998 as the finance manager, was responsible for setting up computerised accounting system of the sales head office in Dongguan, coordinating with the auditors and the preparation of monthly financial statements. In January 2001, he was transferred to Skyworth Multimedia International Limited (a wholly-owned subsidiary of the Company) as the financial controller, in charge of the finance department. From 2006 to 2007, he worked as the financial controller of Skyworth Overseas Development Limited (a wholly-owned subsidiary of the Company), oversaw the finance department, internal control, financial statements and banking facilities. Mr. Lam then served as the financial controller of Skyworth TV Holdings Limited, a wholly owned subsidiary of the Company, from 2007 to 2011 and was responsible for banking facility arrangement and financial reporting of the Company. He was the financial controller of the TV business unit of the Group in December 2011 and the LCD business unit of the Group since December 2012, respectively. He is also a director of certain subsidiaries of the Company.

Mr. Lam graduated from Monash University in Australia with a bachelor's degree of business in accounting and a bachelor's degree of computing in information systems. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountants in Australia. Mr. Lam has over 20 years of working experience in corporate finance, banking and accounting.

Save and except for the relationship with the Company as mentioned above, Mr. Lam does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholders of the Company.

# DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2017 (hereinbelow also known as the reporting year).

## PRINCIPAL ACTIVITIES

The Company is an investment holdings company. The Group is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 55, 21 and 22 of the consolidated financial statements, respectively.

## BUSINESS REVIEW

A fair review of the business of the Group for the reporting year, including the discussion on the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred and an indication of the likely future developments, is set out in the "Chairman's Statement" on pages 5 to 7 and "Management Discussion and Analysis" on pages 9 to 17 of this annual report. The above discussions form part of this Directors' Report.

Details about the Group's financial risk management are set out in note 50 to the consolidated financial statements.

An analysis of the Group's performance for the reporting year using financial key performance indicators is set out in the "Financial Highlights" on page 2 and "Management Discussion and Analysis" on pages 9 to 17 of this annual report.

### Environmental Policies and Performance

The Group is committed to long term environmental sustainability and creating sustainable value for stakeholders by providing safe, reliable and high-quality products and services that satisfy our customers. We strive to encourage higher awareness of environmental conservation at our workplace. The Group established a Corporate Social Responsibility Policy which defines our long-term approach to specific issues in four key aspects: Workplace, Environment, Operating Practices and Community, which is instrumental in enabling our business to operate in a sustainable manner.

The Group cares for the environment by minimising the environmental impact concerning our daily business operations and promoting environmental protection in the supply chain and workplace. We aspire to reduce pollutions, emissions and wastes, increase recycling and minimise energy consumption by continually improving the environmental management policies and practices and educating our employees to adopt environmentally responsible behaviour.

The Group always cherishes natural resources and believes that business expansion and minimisation of the consumption of natural resources can co-exist. In relation to the efficient use of resources, the Group has introduced various energy efficiency programmes including, implementation of energy-saving machines; installation of eco-friendly lighting system; and reduction of water and paper consumption.

## Compliance with Relevant Laws and Regulations

During the reporting year, the Group has complied in key aspects with relevant laws and regulations that have significant impact on the operations of the Group.

On the corporate level, the Company and all of its subsidiaries comply with the laws of the place in which the companies are incorporated and the Listing Rules and the SFO where they are applicable. The Group has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

## Relationship with Key Stakeholders

(a) Employees

The Group believes that employees are the primary force in driving its business growth and considers they are the most valuable assets of an enterprise. We promote team spirit and offer various training programmes to develop employees' potential and professional knowledge. The Group also organises staff-friendly activities for employees, such as sports activities and outings, to promote staff relationships and physical fitness.

(b) Customers

The Group strives to achieve corporate sustainability in providing quality products and services to our customers. We have established strict quality control to ensure continuous improvement of the quality by conducting regular market surveys to gain market insights and feedback.

(c) Suppliers

The Group has established a well-governed supplier selection and evaluation system. We adhere to open, fair and transparent criteria in selecting suppliers and carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers to ensure they can meet all the requirements, values and expectations of the Group.

(d) Shareholders and Investors

The Group has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and investors. We believe that the accurate and timely information disclosure can facilitate constructive feedback and ideas that are beneficial for investor relations and future corporate development.

## RESULTS AND APPROPRIATIONS

The results of the Group for the reporting year are set out in the consolidated statement of profit or loss and other comprehensive income on page 82 of the annual report.

An interim dividend for the six months ended 30 September 2016 of HK9.6 cents (for the six months ended 30 September 2015: HK9.6 cents) per share of the Company amounting to approximately HK$287 million was paid to the shareholders of the Company during the reporting year. The Board has proposed a final dividend for the reporting year of HK5.0 cents per share of the Company (for the year ended 31 March 2016: HK14.4 cents), totaling approximately HK$152 million (for the year ended 31 March 2016: HK$423 million) as at the date of this report to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 9 August 2017, and the retention of the remaining profit for the reporting year in reserves. Shareholders of the Company may elect to receive final dividend in the form of new shares or cash; or partly in new shares and partly in cash.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past 5 financial years is set out on page 197 of the annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the reporting year, the aggregate revenue attributable to the Group's 5 largest customers was less than 14.8% of the Group's total revenue. The aggregate purchase attributable to the Group's 5 largest suppliers accounted for 21.0% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 6.3% of the total purchases.

None of the Directors, their associates or any shareholders of the Company (who to the knowledge of the Directors owns more than 5% shareholding of the Company's share capital) has any interest in any of the Group's 5 largest customers or suppliers.

## PROPERTY, PLANT AND EQUIPMENT

During the reporting year, the Group incurred approximately HK$980 million in production plants construction at various locations within the PRC.

The Group acquired additional plant and machinery at a cost of approximately HK$451 million for the expansion of existing and setting up new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the reporting year are set out in note 16 to the consolidated financial statements.

## AVAILABLE-FOR-SALE INVESTMENTS

### (A) Unlisted equity securities

As at 31 March 2017, the Group holds investments in 25 investee companies which are unlisted. The total value (at cost) of these investments (less impairment loss recognised) as at 31 March 2017 are HK$1,120 million of which HK$918.3 million represents the Group's investment in a PRC investee company in which the Group holds 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 at 31 March 2017, the Group holds two listed equity securities, details of which are as follows:

| Listed company | Shareholding interests as at 31 March 2017 | Value as at 31 March 2017 (HK$ million) | Value as at 31 March 2016 (HK$ million) | Exchange on which the securities are listed | Principal business of the listed company |
|---|---|---|---|---|---|
| Chigo Holding Limited | 5.04% | 53.1 | 40.0 | The Stock Exchange of Hong Kong Limited | Manufacturing and sale of air-conditioners |
| Ningbo Exciton Technology Co. Limited | 1.44% | 84.3 | 23.7 | The Shenzhen Stock Exchange | Manufacturing and sale of flat screen display |

The management takes the view of these two listed equity securities as a medium to long term investments, and somehow their businesses have similarities to the Group. Our judgement on their performance will coincide with the whole electronic industry, which is one of the main business sectors being advocated by the China government, however, the returns from these investments might still be affected by the market uncertainties. The management will take prudent approach to deal with these investments and will take necessary actions to cope with the market change.

## (C) Other financial instruments

The Group holds investment products amounting to a total fair value of HK$1,063 million as at 31 March 2017. These investment products are unlisted and are issued by banks, securities firm, investment companies and other companies in the PRC. These products typically have a term of 3 years or less, certain details of which are as follows:

| Issuer/Manager | Investment type | Expected returns (%) (Note) | Value as at 31 March 2017 (HK$ million) |
|---|---|---|---|
| Shenzhen Qianhai Xing Chuang Investment Partnership (As manager) | Real estate venture capital fund | 9.00% | 301.4 |
| Shenzhen Hongta Asset Management Limited (As manager) | Investment fund | 9.00% | 225.5 |
| First Capital Security Holdings Limited | Investment fund | 8.80% – 10.00% | 169.1 |
| China Merchants Securities Co., Ltd. | Investment fund | 4.10% – 4.20% | 113.8 |
| Bank of Communications | Investment fund | 4.20% | 112.7 |
| Others | Mainly include investment fund, private equity fund and venture capital fund | 0.35% – 15.00% | 140.9 |

*Note: The expected return is an estimation stated in contract which may not represent the actual return.*

## SHARE CAPITAL

Details of movements in the share capital of the Company during the reporting year are set out in note 41 to the consolidated financial statements.

## SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the reporting year are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 March 2017 amounted to approximately HK$1,906 million (2016: HK$1,850 million).

## DONATIONS

During the reporting year, the Group made charitable donations approximately amounting to HK$4 million.

## DIRECTORS

The list of Directors for the reporting year and up to the date of this report were:

### Executive Directors:

| | |
|---|---|
| Mr. Lai Weide | *(Chairman of the Board)*<br>*(Appointed with effect from 8 July 2016)* |
| Ms. Lin Wei Ping | *(Resigned as Executive Chairperson with effect from 8 July 2016)* |
| Mr. Liu Tangzhi | *(Chief Executive Officer)*<br>*(Appointed as Chief Executive Officer with effect from 1 April 2017)* |
| Mr. Shi Chi | |
| Ms. Chan Wai Kay, Katherine | *(Resigned with effect from 1 October 2016)* |

### Non-Executive Director:

| | |
|---|---|
| Mr. Yang Dongwen | *(Re-designated as Non-Executive Director and resigned as Chief Executive Officer with effect from 1 April 2017)* |

### Independent Non-Executive Directors:

| | |
|---|---|
| Mr. Li Weibin | |
| Mr. Cheong Ying Chew, Henry | |
| Mr. Li Ming | *(Appointed with effect from 18 March 2017)* |
| Mr. Wei Wei | *(Resigned with effect from 18 March 2017)* |

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr. Shi Chi, Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other Directors continue in office.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, as at the date of this report, the changes in information of Directors as notified to the Company subsequent to the date of the 2016/17 interim report of the Company are set out below:

| Directors | Detail of Changes | |
|---|---|---|
| Mr. Li Ming | – | Appointed as an Independent Non-Executive Director with effect from 18 March 2017. |
| Mr. Wei Wei | – | Resigned as an Independent Non-Executive Director with effect from 18 March 2017. |
| Mr. Liu Tangzhi | – | Appointed as Chief Executive Officer of the Company with effect from 1 April 2017. His emoluments were changed from RMB1,800,000 per annum with discretionary bonus to RMB2,000,000 per annum with discretionary bonus per annum. |
| Mr. Yang Dongwen | – | Re-designated from Executive Director to Non-Executive Director and resigned as Chief Executive Officer of the Company with effect from 1 April 2017. |
| | – | Following the re-designation as Non-Executive Director of Mr. Yang with effect from 1 April 2017, the length of service was changed from 3 years to 1 year; and his emoluments were changed from RMB2,000,000 per annum with discretionary bonus to HKD44,000 per month. |

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Company are set out on pages 18 to 24 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## EMOLUMENT POLICY

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time, with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on pages 44 to 60 of the annual report.

## RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 53 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 31 March 2017, the interests of the Directors and of their associates in the shares, share options, awarded shares and underlying shares of the Company and its associated corporations (within the meaning of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (a) Shares of the Company

As at 31 March 2017, Directors had long positions in the shares of the Company as follows:

| Name of director | Capacity | | Number of issued shares held | Approximate percentage of the total number of issued shares |
|---|---|---|---|---|
| Lin Wei Ping | Beneficial owner | | 9,043,541 | 0.30% |
| | Held by spouse | *(Notes a and b)* | 1,166,288,473 | 38.34% |
| | | *(Notes a and c)* | 1,175,332,014 | 38.64% |
| Shi Chi | Beneficial owner | | 5,184,825 | 0.17% |
| | Held by spouse | | 2,304,466 | 0.08% |
| | | | 7,489,291 | 0.25% |
| Liu Tangzhi | Beneficial owner | | 4,499,539 | 0.15% |
| | Held by spouse | | 911,136 | 0.03% |
| | | | 5,410,675 | 0.18% |
| Li Weibin | Beneficial owner | | 1,000,000 | 0.03% |

*Notes:*

*(a) 1,166,288,473 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,166,288,473 shares.*

*(b) Ms. Lin Wei Ping is interested in 1,175,332,014 shares of the Company, which comprise 9,043,541 shares held by herself and the deemed interests in 1,166,288,473 shares held by her spouse Mr. Wong Wang Sang, Stephen.*

*(c) Mr. Wong Wang Sang, Stephen is interested in 1,175,332,014 shares of the Company, which comprise the deemed interests in 1,166,288,473 shares held by Target Success and the deemed interests in 9,043,541 shares held by his spouse Ms. Lin Wei Ping.*

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (b) Share options of the Company

(i) Particulars of the share option schemes of the Company are set out in note 43 to the consolidated financial statements.

(ii) As at 31 March 2017, certain Directors had personal interests in the share options granted under the Company's share option schemes as follows:

| Name of Director | Capacity | Number of share options held/underlying shares of the Company |
|---|---|---|
| Lai Weide *(Appointed with effect from 8 July 2016)* | Beneficial owner | 10,000,000 |
| Yang Dongwen | Beneficial owner | 4,000,000 |
| Shi Chi | Beneficial owner | 3,800,000 |
| Liu Tangzhi | Beneficial owner | 16,000,000 |
| Total | | 33,800,000 |

(iii) The particulars of share options granted to the Directors and the movement during the reporting year were as follows:

Under 2008 Share Option Scheme

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding as at 1 April 2016 | Granted during the reporting year | Exercised during the reporting year *(Note)* | Cancelled during the reporting year | Outstanding as at 31 March 2017 |
| **Directors:** | | | | | | | | |
| **Yang Dongwen** | | | | | | | | |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | – | – | – | – | – |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | – | – | – | – | – |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | – | – | – | – | – |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | – |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | – |

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (b) Share options of the Company (Continued)

Under 2008 Share Option Scheme (Continued)

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding as at 1 April 2016 | Granted during the reporting year | Exercised during the reporting year *(Note)* | Cancelled during the reporting year | Outstanding as at 31 March 2017 |
| **Directors:** *(Continued)* | | | | | | | | |
| **Yang Dongwen** | | | | | | | | |
| 28 June 2013 | 3.982 | 28 June 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | – | – | – | – | – |
| | | 28 June 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,000,000 | – | (2,000,000) | – | – |
| | | 28 June 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,000,000 | – | (2,000,000) | – | – |
| | | 28 June 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |
| | | 28 June 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |
| **Shi Chi** | | | | | | | | |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 600,000 | – | (300,000) | – | 300,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 600,000 | – | (600,000) | – | – |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 600,000 | – | (300,000) | – | 300,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 600,000 | – | – | – | 600,000 |

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (b) Share options of the Company (Continued)

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Number of share options<br>Outstanding as at 1 April 2016 | Granted during the reporting year | Exercised during the reporting year *(Note)* | Cancelled during the reporting year | Outstanding as at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| **Directors:** *(Continued)* | | | | | | | | |
| **Shi Chi** *(Continued)* | | | | | | | | |
| 16 September 2011 | 4.080 | 16 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | – |
| | | 16 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | – |
| | | 16 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | – |
| | | 16 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| **Chan Wai Kay, Katherine** *(Resigned with effect from 1 October 2016)* | | | | | | | | |
| 9 September 2013 | 4.368 | 9 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | – | – | – | – | – |
| | | 9 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |
| | | 9 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |
| | | 9 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (b) Share options of the Company (Continued)

Under 2008 Share Option Scheme (Continued)

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding as at 1 April 2016 | Granted during the reporting year | Exercised during the reporting year *(Note)* | Cancelled during the reporting year | Outstanding as at 31 March 2017 |
| **Directors:** *(Continued)* | | | | | | | | |
| **Liu Tangzhi** | | | | | | | | |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| 9 July 2014 | 3.870 | 9 July 2014 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 July 2018 | 1 August 2018 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| Total | | | | 31,500,000 | – | (10,200,000) | – | 21,300,000 |

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (b) Share options of the Company (Continued)

Under 2014 Share Option Scheme

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding as at 1 April 2016 | Granted during the reporting year | Exercised during the reporting year *(Note)* | Cancelled during the reporting year | Outstanding as at 31 March 2017 |
| **Directors:** | | | | | | | | |
| **Lai Weide** *(Appointed with effect from 8 July 2016)* | | | | | | | | |
| 8 July 2016 | 6.320 | 8 July 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | – | 2,500,000 | – | – | 2,500,000 |
| | | 8 July 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | – | 2,500,000 | – | – | 2,500,000 |
| | | 8 July 2016 to 31 August 2019 | 1 September 2019 to 20 August 2024 | – | 2,500,000 | – | – | 2,500,000 |
| | | 8 July 2016 to 31 August 2020 | 1 September 2020 to 20 August 2024 | – | 2,500,000 | – | – | 2,500,000 |
| **Liu Tangzhi** | | | | | | | | |
| 15 December 2015 | 4.830 | 15 December 2015 to 14 December 2016 | 15 December 2016 to 30 September 2018 | 3,300,000 | – | – | – | 3,300,000 |
| | | 15 December 2015 to 14 December 2017 | 15 December 2017 to 30 September 2018 | 3,300,000 | – | – | – | 3,300,000 |
| | | 15 December 2015 to 30 March 2018 | 31 March 2018 to 30 September 2018 | 3,400,000 | – | – | – | 3,400,000 |
| Total | | | | 10,000,000 | 10,000,000 | – | – | 20,000,000 |

*Note: The weighted average closing prices of the shares of the Company immediately before the date on which the share options were exercised during the reporting year was HK$5.727.*

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (c) Awarded shares of the Company

(i) Share Award Scheme

The Share Award Scheme was approved by the Board on 24 June 2014. The maximum number of shares of the Company can be awarded or held under the Share Award Scheme is limited to 2% of the issued share capital of the Company from time to time. The maximum number of shares of the Company (including vested and non-vested) which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the reporting year, 1,500,000 shares were purchased by the Company on the Stock Exchange through an independent trustee at a total consideration of HK$6,820,480. As at 31 March 2017, 36,831,739 shares of the Company were held by the independent trustee, for the purpose of the Share Award Scheme.

Particulars of the Share Award Scheme are set out in note 44 to the consolidated financial statements.

***First batch: Awarded shares granted on 25 July 2014***

On 25 July 2014, a total of 27,836,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme. 8,694,000 and 8,442,000 awarded shares were vested on 31 August 2015 and 31 August 2016 respectively and the remaining awarded shares will be vested on 31 August 2017.

***Second batch: Awarded shares granted on 20 July 2015***

On 20 July 2015, a total of 10,312,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,978,000 and 2,874,000 awarded shares were vested on 31 December 2015 and 31 December 2016 respectively and the remaining awarded shares will be vested on 31 December 2017.

During the reporting year, cash dividend of HK$10,385,025.35 had been received in respect of the shares of the Company held upon the trust for the Share Award Scheme and shall form part of the trust fund of such trust. The trustee may, after having taken into consideration the advice of the Company, apply the cash deposited by the Company to purchase shares of the Company in the market, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of the Share Award Scheme, or return such cash or shares to the Company.

(ii) As at 31 March 2017, certain Directors had personal interests in the awarded shares granted under the Company's Share Award Scheme as follows:

| Name of Director | Capacity | Number of awarded shares held/underlying shares of the Company |
|---|---|---|
| Yang Dongwen | Beneficial owner | 336,000 |
| Liu Tangzhi | Beneficial owner | 608,000 |
| Total | | 944,000 |

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)

### (c) Awarded shares of the Company (Continued)

(iii) The particulars of awarded shares granted to the Directors and the movement during the reporting year were as follows:

| | | Number of awarded shares | | | |
|---|---|---|---|---|---|
| Directors/ Date of grant | Vesting date | Outstanding as at 1 April 2016 | Granted during the reporting year | Vested during the reporting year | Outstanding as at 31 March 2017 |
| **Yang Dongwen** | | | | | |
| 25 July 2014 | 31 August 2015 | – | – | – | – |
| | 31 August 2016 | 332,000 | – | (332,000) | – |
| | 31 August 2017 | 336,000 | – | – | 336,000 |
| | | 668,000 | – | (332,000) | 336,000 |
| **Liu Tangzhi** | | | | | |
| 25 July 2014 | 31 August 2015 | – | – | – | – |
| | 31 August 2016 | 266,000 | – | (266,000) | – |
| | 31 August 2017 | 268,000 | – | – | 268,000 |
| 20 July 2015 | 31 December 2015 | – | – | – | – |
| | 31 December 2016 | 330,000 | – | (330,000) | – |
| | 31 December 2017 | 340,000 | – | – | 340,000 |
| | | 1,204,000 | – | (596,000) | 608,000 |
| Total | | 1,872,000 | – | (928,000) | 944,000 |

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code as at 31 March 2017.

## DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBENTURES

Other than the interests in share options and awarded shares of the Company as disclosed above, and in the share option schemes and the Share Award Scheme disclosed in note 43 and note 44 to the consolidated financial statements respectively, at no time during the reporting year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives, or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate, and none of them had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the reporting year.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the reporting year or at any time during the reporting year.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the reporting year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the reporting year, none of the Executive Directors had any interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following substantial shareholders had notified the Company of the relevant interests in the issued shares of the Company.

| Name of shareholder | Capacity | Number of issued shares held Long Position (L) ShortPosition (S) Lending Pool (P) | Approximate percentage of the total number of issued shares |
|---|---|---|---|
| Target Success Group (PTC) Limited | Trustee *(Note a)* | 1,166,288,473 (L) | 38.34% |
| Wong Wang Sang, Stephen | Held by spouse *(Note b)* | 9,043,541 (L) | 0.30% |
| | Interest of controlled corporation *(Note a)* | 1,166,288,473 (L) | 38.34% |
| | | 1,175,332,014 (L) | 38.64% |
| Lin Wei Ping | Beneficial owner | 9,043,541 (L) | 0.30% |
| | Held by spouse *(Note c)* | 1,166,288,473 (L) | 38.34% |
| | | 1,175,332,014 (L) | 38.64% |
| Citigroup Inc. | Interest of controlled corporation | 153,887,982 (L) | 5.06% |
| | | 54,298,090 (S) | 1.78% |
| | | 98,358,378 (P) | 3.23% |

*Notes:*

(a) *1,166,288,473 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,166,288,473 shares.*

(b) *Ms. Lin Wei Ping is interested in 1,175,332,014 shares of the Company, which comprise 9,043,541 shares held by herself and the deemed interests in 1,166,288,473 shares held by her spouse Mr. Wong Wang Sang, Stephen.*

(c) *Mr. Wong Wang Sang, Stephen is interested in 1,175,332,014 shares of the Company, which comprise the deemed interests in 1,166,288,473 shares held by Target Success and the deemed interests in 9,043,541 shares held by his spouse Ms. Lin Wei Ping.*

Save as disclosed above, as at 31 March 2017, the Company had not been notified of any other interests or short positions representing 5% or more of the number of shares of the Company in issue as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

During the reporting year, as disclosed in paragraph (c) under the section of "Directors' Interests in Shares, Share Options and Awarded Shares" above, the Company has purchased 1,500,000 shares of the Company in the Stock Exchange at a total consideration of HK$6,820,480 for the purpose of the Share Award Scheme through an independent trustee. Save as disclosed above, during the reporting year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirement of the Listing Rules throughout the reporting year.

## PERMITTED INDEMNITY PROVISIONS

The Company's bye-laws provides that the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors, secretary and other officers of the Company.

In addition, an appropriate insurance cover had been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

## AUDITOR

The consolidated financial statements of the Group for the reporting year have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

**LAI Weide**
*Chairman of the Board*
13 June 2017

# CORPORATE GOVERNANCE REPORT

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the CG Code.

## COMPLIANCE WITH THE CG CODE

During the financial year ended 31 March 2017 (hereinbelow also known as the reporting year) and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provisions A.6.7 and E.1.2 of the CG Code as the Chairman of the Board and 2 Independent Non-Executive Directors (who were the chairperson of the Remuneration Committee and the Nomination Committee respectively) were unable to attend the annual general meeting of the Company held on 28 July 2016 as they had other engagement.

## KEY CORPORATE GOVERNANCE PRINCIPLES

### Board of Directors

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by setting up of corporate strategic objectives and policies, and monitoring and evaluating of the operating activities and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors, senior management and certain responsibilities to the specific Board committees.

#### Board Composition

As at the date of this report, the Board consists of 8 members. Among them, 4 are Executive Directors, 1 is Non-Executive Director and 3 are Independent Non-Executive Directors. The list of Directors are set out on page 200 of this annual report. Their biographical details including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 18 to 24 of this annual report.

#### Executive Directors

All of the Executive Directors possess the qualification and experiences in their respective areas of responsibility. Under the leadership of the Chairman of the Board, the Board is able to maintain the success of the Group's business.

#### Independent Non-Executive Directors

Currently, the 3 Independent Non-Executive Directors are experienced professionals with different expertise in accounting, legal and strategic management. Their mix of skills and experience, and their independent view would definitely provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the shareholders of the Company in general and the Company as a whole. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the reporting year pursuant to Rule 3.13 of the Listing Rules and considers such Independent Non-Executive Directors to be independent.

## The Chairman of the Board and Chief Executive Officer of the Company

During the reporting period, there were changes in important executive functions. On 8 July 2016, Ms. Lin Wei Ping resigned as Executive Chairperson and Mr. Lai Weide took her place as the Chairman of the Board. Mr. Liu Tangzhi was appointed as the Chief Executive Officer of the Company in place of Mr. Yang Dongwen with effect from 1 April 2017. As at the date of this report, Ms. Lin Wei Ping is still an Executive Director, while Mr. Yang Dongwen was re-designated as Non-Executive Director with effect from 1 April 2017.

The roles of the Chairman of the Board and the chief executive officer of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the Chairman of the Board are to provide leadership to the Board; to ensure the Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable; to ensure the Company established good corporate practice and procedures; and to provide appropriate briefing on the issues arising from Board meetings.

The chief executive officer of the Company is responsible for implementing decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the Executive Directors and senior management.

## Appointment, Re-election and Removal of Directors

A person may be appointed as a member of the Board at any time either by the shareholders of the Company in a general meeting or by the Board upon recommendation of the Nomination Committee. Each of the Directors has entered into a service contract with the Company for a term of not more than 3 years. Directors who are appointed by the Board must retire at their first attend annual general meeting after their appointment.

According to the bye-laws of the Company as amended from time to time and the CG Code, all Directors are subject to retirement by rotation once every 3 years and one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to, but not less than one-third) shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

## Access for Supporting

The Directors may have access to the advice and services of the Company Secretary with a view to ensuring that the Board's procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide appropriate independent professional advice to the Directors to assist them on discharging their duties and responsibilities.

Appropriate insurance cover has been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

## Continuous Professional Development

On appointment to the Board, each newly appointed Director will attend an introduction covering the general, statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company is required to provide the Directors with regular updates relating to the Group's business.

All Directors have complied with the code provision in the CG Code in relation to continuous professional development. This has involved various forms of activities including attending presentation given by external professional advisors and reading materials relevant to the regulatory updates, Company's business, directors' duties and responsibilities. The Company continues to provide the Directors with updates relating to the relevant Listing Rules and regulations, ensuring the Directors have through understanding of good corporate governance.

The Directors are required to provide the Company with details of professional training undertaken by them during the reporting year. Based on the details so provided, the professional training undertaken by the Directors during the reporting year is summarised as follows:

| | Training Areas | | |
|---|---|---|---|
| **Name of Director** | **Legal and Regulatory** | **Corporate Governance** | **Group's Business/ Directors' Duties** |
| **Executive Directors:** | | | |
| Mr. Lai Weide *(Appointed with effect from 8 July 2016)* | ✓ | ✓ | ✓ |
| Ms. Lin Wei Ping | ✓ | ✓ | ✓ |
| Mr. Yang Dongwen *(Note)* | ✓ | ✓ | ✓ |
| Mr. Shi Chi | ✓ | ✓ | ✓ |
| Mr. Liu Tangzhi | ✓ | ✓ | ✓ |
| Ms. Chan Wai Kay, Katherine *(Resigned with effect from 1 October 2016)* | ✓ | ✓ | ✓ |
| **Independent Non-Executive Directors:** | | | |
| Mr. Li Weibin | ✓ | ✓ | ✓ |
| Mr. Cheong Ying Chew, Henry | ✓ | ✓ | ✓ |
| Mr. Li Ming *(Appointed with effect from 18 March 2017)* | ✓ | ✓ | ✓ |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | ✓ | ✓ | ✓ |

*Note: Mr. Yang Dongwen was re-designated as Non-Executive Director with effect from 1 April 2017.*

## General meetings

The annual general meeting and other general meeting of the Company are the primary communication with the shareholders. All shareholders of the Company are welcomed to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf. Other than shareholders' participation, Independent Non-Executive Directors should attend general meetings and develop a better understanding of the views of shareholders. During the reporting year, other than annual general meeting, no special general meeting was held by the Company.

The attendance record of the general meetings during the reporting year:

| Name of Director | Number of meetings attended/held | Attendance rate |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Lai Weide *(Appointed with effect from 8 July 2016)* | 0/1 | 0% |
| Ms. Lin Wei Ping | 1/1 | 100% |
| Mr. Yang Dongwen *(Note)* | 1/1 | 100% |
| Mr. Shi Chi | 0/1 | 0% |
| Mr. Liu Tangzhi | 1/1 | 100% |
| Ms. Chan Wai Kay, Katherine *(Resigned with effect from 1 October 2016)* | 1/1 | 100% |
| **Independent Non-Executive Directors:** | | |
| Mr. Li Weibin | 0/1 | 0% |
| Mr. Cheong Ying Chew, Henry | 1/1 | 100% |
| Mr. Li Ming *(Appointed with effect from 18 March 2017)* | N/A | N/A |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | 0/1 | 0% |

*Note: Mr. Yang Dongwen was re-designated as Non-Executive Director with effect from 1 April 2017.*

## Board Meetings and Corporate Governance Function

The Board held a total of 6 meetings during the reporting year. Of these, 2 meetings were held mainly for approving the 2015/16 final results and the 2016/17 interim results of the Group; the other meetings were held to discuss and consider important issues of the Group and review policies related to corporate governance.

Sufficient notices to Board meetings are given to all Directors prior to the meetings for the purpose of providing all Directors with sufficient time to schedule their business for the meetings, and to propose matters to be included in the agenda for the meetings. Agenda and meeting documents are despatched to all Directors at least 3 days before each of the meetings to ensure that the Directors have sufficient time to review documents and be adequately prepared for the meeting. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman of the Board prior to the meeting.

Management of the Company has, from time to time, supplied to the Board relevant information, as well as reports relating to operational and financial performance of the Group, enabling the Directors to make informed decisions. Members of the management who are responsible for preparation of the documents for discussion at the Board meetings are usually invited to present the relevant documents and to take any questions or address queries that the Directors may have on the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision making processes.

The proceedings of the Board at its meetings are conducted by the Chairman of the Board who is responsible to ensure that sufficient time is allocated for discussion and consideration of each agenda item and that equal opportunities are given to the Directors to speak and express their views and share their concerns. Minutes of the Board meetings are recorded in sufficient detail about the matters considered by the Board and the decisions reached, including any concerns raised by the Directors. The minutes are kept by the Company Secretary or another personnel appointed by the Board at the meetings. Subsequently, the minutes are circulated to the Directors and are opened for inspection by the Directors.

During the reporting year, the Board was responsible for performing the corporate governance functions such as to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the CG Code and disclose in the Corporate Governance Report.

The attendance record of the Board meetings during the reporting year:

| Name of Director | Number of meetings attended/held | Attendance rate |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Lai Weide *(Appointed with effect from 8 July 2016)* | 4/4 | 100% |
| Ms. Lin Wei Ping | 6/6 | 100% |
| Mr. Yang Dongwen *(Note)* | 6/6 | 100% |
| Mr. Shi Chi | 6/6 | 100% |
| Mr. Liu Tangzhi | 6/6 | 100% |
| Ms. Chan Wai Kay, Katherine *(Resigned with effect from 1 October 2016)* | 4/4 | 100% |
| **Independent Non-Executive Directors:** | | |
| Mr. Li Weibin | 6/6 | 100% |
| Mr. Cheong Ying Chew, Henry | 6/6 | 100% |
| Mr. Li Ming *(Appointed with effect from 18 March 2017)* | N/A | N/A |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | 6/6 | 100% |

*Note: Mr. Yang Dongwen was re-designated as Non-Executive Director with effect from 1 April 2017.*

## Securities Transactions of Directors

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

## Board Committees

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by 4 board committees, including Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link http://investor.skyworth.com/html/index.php and the website of Hong Kong Exchanges and Clearing Limited. All committees are provided with sufficient resources to discharge their duties.

### (1) Executive Committee

The Executive Committee was established by the Board on 5 February 2005 with written terms of reference adopted on the same date. The Executive Committee currently comprises 6 members, including several Executive Directors and senior management of the Company.

The Executive Committee has been delegated with powers from the Board to deal with matters of the Group. The authority and major duties of the Executive Committee are summarised as follows:

- to establish strategic planning and financial budgets for Board approval;
- to monitor daily business operations, including sales, productions, brand and product promotion and human resources capital, within the Group;
- to review and approve management reports;
- to evaluate investments opportunities for Board approval; and
- to monitor fund flows and evaluate cash management policies within the Group.

The Executive Committee held monthly meetings during the reporting year to review, discuss and evaluate the monthly business performance and other business and operational matters of each major subsidiary within the Group.

### (2) Nomination Committee

The Nomination Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was further updated and approved on 30 March 2012. The Nomination Committee currently comprises 4 members. The chairperson of the Nomination Committee is Mr. Li Ming and the other members are Mr. Li Weibin, Ms. Lin Wei Ping and Mr. Cheong Ying Chew, Henry. Except for Ms. Lin Wei Ping is an Executive Director, the remaining 3 members are Independent Non-Executive Directors.

The major duties of the Nomination Committee set out in its terms of reference are summarised as follows:

- to review the structure, size and composition of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to be responsible for identifying and nominating for approval of the Board suitably qualified candidates as additional Directors or to fill Board vacancies as they arise;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer;
- in case of appointment and re-appointment of Independent Non-Executive Directors, to assess the independence of the appointees having regard to relevant guidelines or requirements of the Listing Rules in place from time to time; and
- to assess the independence of Independent Non-Executive Directors on an annual basis having regard to relevant guidelines or requirements of the Listing Rules in place from time to time.

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy ("Policy") which setting out the basic principles to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience.

In considering the new appointment of Directors, the Nomination Committee had considered the Policy and with reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

During the reporting year, the Nomination Committee conducted an annual review of the Board's composition taking into account the Policy and formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives necessary to the business requirements of the Group. The Nomination Committee will review the Policy from time to time to ensure the effectiveness of the Policy and discuss any revisions that may be required, and recommended such revisions to the Board for consideration and approval.

The Nomination Committee held 3 meetings during the reporting year for the purposes, including but not limited to the followings:

- reviewed the structure, size and composition of the Board;
- reviewed and assessed the independence of the Independent Non-Executive Directors;
- reviewed and considered the proposal on the appointment of Executive Director, the Chairman of the Board and an Independent Non-Executive Director and to make recommendations to the Board for such proposals; and
- reviewed and considered the proposal of re-designation of Director and change of chief executive officer of the Company and to make recommendations to the Board for such proposals.

The attendance record of the Nomination Committee meetings held during the reporting year:

| Name of Director | Number of meetings attended/held | Attendance rate |
|---|---|---|
| **Independent Non-Executive Directors:** | | |
| Mr. Li Ming *(Chairperson) (Appointed with effect from 18 March 2017)* | N/A | N/A |
| Mr. Li Weibin | 3/3 | 100% |
| Mr. Cheong Ying Chew, Henry | 3/3 | 100% |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | 3/3 | 100% |
| **Executive Directors:** | | |
| Ms. Lin Wei Ping *(Appointed as member of the Nomination Committee with effect from 1 October 2016)* | 1/1 | 100% |
| Ms. Chan Wai Kay, Katherine *(Resigned with effect from 1 October 2016)* | 2/2 | 100% |

## (3) Remuneration Committee

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012. The Remuneration Committee currently comprises 4 members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. Cheong Ying Chew, Henry, Ms. Lin Wei Ping and Mr. Li Ming. Except for Ms. Lin Wei Ping is an Executive Director, the remaining 3 members of the Remuneration Committee are Independent Non-Executive Directors.

The major duties of the Remuneration Committee set out in its terms of reference are summarised as follows:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of formal and transparent procedures for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and to make recommendations to the Board on the remuneration of Non-Executive Directors;
- to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 4 meetings during the reporting year for the purposes, including but not limited to the followings:

- reviewed and made recommendation to the Board on the bonus payable to the Directors and senior management of the Group;
- reviewed and made recommendation to the Board on the consultancy contract of a consultant;
- reviewed and made recommendation to the Board on the remuneration packages for the appointment of Executive Director and the Chairman of the Board and an Independent Non-Executive Director;
- reviewed and made recommendation to the Board on the renewal of service contract of an Independent Non-Executive Director and a senior management; and
- reviewed and made recommendation to the Board on the remuneration packages for the appointment of a Non-Executive Director and the chief executive officer of the Company.

The attendance record of the Remuneration Committee meetings during the reporting year:

| Name of Director | Number of meetings attended/held | Attendance rate |
|---|---|---|
| **Independent Non-Executive Directors:** | | |
| Mr. Li Weibin *(Chairperson)* | 4/4 | 100% |
| Mr. Cheong Ying Chew, Henry | 4/4 | 100% |
| Mr. Li Ming *(Appointed with effect from 18 March 2017)* | N/A | N/A |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | 4/4 | 100% |
| **Executive Director:** | | |
| Ms. Lin Wei Ping | 4/4 | 100% |

### *Remuneration policy of the Group*

The remuneration policy of the Group is formulated to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. Details of the share option schemes of the Company and Share Award Scheme are set out in notes 43 and 44 to the consolidated financial statements.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, performance of the Directors and prevailing market conditions. They include incentive bonus primarily based on the results of the Group, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, nor any of his associates and executive, is involved in deciding his/her own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience of individuals. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training, retention and recruitment programs, and encouraging staff for self-development and improvements. The Group uses the "key performance indicators", a methodical system, to monitor and evaluate the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies by establishing a measurable benchmark.

The Board recognises that the future success of the Group depends on its ability to build up a team of high calibre professional managers as its human resource capital. The Group is committed to building up such human resource capital to enhance its assets for ensuring future growth.

The remuneration of the individual Directors and the 5 highest paid individuals are set out in notes 12 and 13 to the consolidated financial statements.

### (4) Audit Committee

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

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the amendments made to the CG Code with 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 major duties of the Audit Committee set out in its terms of reference are summarised as follows:

- to ensure and coordinate the relationship with the Company's external auditors and make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors;

- to review the Company's financial information; and

- to oversee the Company's financial reporting system, risk management and internal control systems.

The Audit Committee held 2 meetings during the reporting year for the purposes, including but not limited to the followings:

- reviewed and comment on the Company's annual and interim financial reports;

- monitored the Group's financial reporting system, risk management and internal control systems on an ongoing basis;

- reviewed the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;

- discussed the Group's internal audit plan with the Risk Management Department; and

- discussed and communicated with the external auditors for audit works of the Group.

The attendance record of the Audit Committee meetings during the reporting year:

| Name of Director | Number of meetings attended/held | Attendance rate |
|---|---|---|
| **Independent Non-Executive Directors:** | | |
| Mr. Cheong Ying Chew, Henry *(Chairperson)* | 2/2 | 100% |
| Mr. Li Weibin | 2/2 | 100% |
| Mr. Li Ming *(Appointed with effect from 18 March 2017)* | N/A | N/A |
| Mr. Wei Wei *(Resigned with effect from 18 March 2017)* | 2/2 | 100% |

## Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control reviews, interim reviews and annual audits. These are the most efficient way in assessing the effectiveness of the Board in managing the business and affairs of the Group.

### Financial Reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of business affairs and of the results and cash flow of the Group for the reporting year. In preparing the consolidated financial statements, the Directors have:

- approved the adoption of the applicable HKFRSs;

- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;

- made judgments and estimates that were prudent and reasonable, and ensured the consolidated financial statements were prepared on a going concern basis; and

- ensured that the consolidated financial statements were prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognises that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensible vision of the performance, position and prospects of the Group in all corporate communications. The Company's management provides the Board with monthly updates giving a balanced and understandable assessment of the Group's business and financial performance in sufficient detail to enable the Board to discharge their duties.

## Internal Controls

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- achieve business objectives and safeguard assets against unauthorised use or disposition;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and manage, rather than eliminate, risks of failure in operational systems, and to ensure achievement of the Group's objectives.

### ***Internal Control Framework***

The internal control framework established by the Board is highlight as follows:

*(1) Distinct organisational structure*

To allow delegation of authority as well as to enhance accountability, a distinct organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Division/Department heads are involved in preparing the strategic plan and the operation plan based on the corporate strategies and annual operational and financial targets determined by the Board. Both of the strategic plan and the annual operating plan laid down the foundation for preparation of the annual budgets, which identify and prioritise business opportunities with reference to the resources allocation.

During the reporting year, the Group continued to implement a series of corporate reorganisation programmes in order to achieve a unit chain of command and improve the operation flow. With the continuous focus on the unit chain of command, the Group anticipates to attain better controls and effectively monitor the management, operational and financial processes.

*(2) Comprehensive management reporting*

A comprehensive management reporting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken, if necessary, to rectify the deficiencies noted. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.

*(3) Regular risk assessment*

Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and compliance risk that may have an impact on the business of the Group. The Risk Management Department evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

*(4) Regulated cash and treasury management*

The Group maintains a sound system and clear authority limit to ensure daily cash and treasury operations meet the relevant policies and rules established by the Group.

*(5) Regular reviews by Risk Management Department and Internal Audit Department*

The Risk Management Department was established by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organisational goals and objectives by striving to provide a positive impact on:

- efficiency and effectiveness of operating functions;
- reliability of financial reporting;
- status of implementation and effectiveness of the internal control policies and procedures; and
- compliance with applicable laws and regulations.

The Risk Management Department also has a role to assist the Board and the Audit Committee to ensure that the Company maintains a sound system of internal controls by:

- reviewing all aspects of the Group's activities and internal controls with unrestricted right of access;
- conducting comprehensive audits of the practices and procedures of the Group;
- conducting comprehensive audits of income and expenditure, internal controls of all business units of the Group;
- conducting comprehensive audits of cash and operational management for various sales offices on a regular basis with the support by the Internal Audit Department; and
- conducting special reviews and investigations of concerned areas identified by the Board or the management.

The Head of Risk Management has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. The Head of Risk Management is invited to attend the Audit Committee meetings and has the right to bring appropriate matters identified during the course of the risk assessment and the internal audits to the attention of the Audit Committee. This reporting structure allows the Risk Management Department to maintain its independence and to have free access to all members of the Board.

During the reporting year and up to the date of this report, the work performed by the Risk Management Department includes:

- reviewed and evaluated major business cycles of several business units; and

- reviewed the effectiveness of all material aspects of the risk management and internal control systems of the Group.

The Internal Audit Department was established since 1996 mainly for examining and evaluating the operations and compliance status of the sales offices and branches in the mainland China TV business unit, which is the largest cash flow and revenue contributor of the Group. Besides, it also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group. During the reporting year, the Internal Audit Department also carried out the audit of certain major business units, in order to enhance the management and operational efficiency. Currently, the Internal Audit Department has approximately 35 staff members, most of them continuously travel all over mainland China and overseas to perform their internal audit work.

During the reporting year, the Internal Audit Department issued over 180 reports to the Board and senior management on its regular reviews of operations and compliance audits of certain business units, sales offices and branches as well as reports on senior staff leaving their positions.

### *Internal Audit Plan*

The Risk Management Department, by considering current status and future development of the Group, would submit an IA Annual Plan to the Audit Committee and the Board for review and approval, in order to match with the business strategy of the Group.

### *Internal Control Review*

During the reporting year, the Board, through the work performed by the Risk Management Department, conducted a review on the system of internal controls in accordance with the IA Annual Plan, which covers material controls, including financial, operational and compliance controls and risk management functions. The results of the review indicated that the system of internal controls of the Group is effective notwithstanding that there were some improvement opportunities identified. The Board would consider and evaluate those improvement opportunities identified by the Risk Management Department and make corresponding changes to the current system as and when appropriate. The Board would continue to review and improve the internal control system in fulfilment of Group’s business objective.

### External Auditor

The Group's external auditor is Deloitte Touche Tohmatsu. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. Up to the date of this report, the Audit Committee has considered and approved the engagement of Deloitte Touche Tohmatsu as auditor of the Group for the reporting year and the corresponding audit fee estimation.

The remuneration paid or payable by the Group to Deloitte Touche Tohmatsu in respect of their audit and other non-audit services for the reporting year were as follows:

| Nature of services | For the year ended 31 March | |
|---|---|---|
| | **2017 Amounts HK$ million** | 2016 Amounts HK$ million |
| Audit service (including review of interim financial statements) | **8** | 9 |
| Non-audit and tax related service | **5** | 3 |
| Total | **13** | 12 |

## Company Secretary

Mr. Lam Shing Choi, Eric ("Mr. Lam") was appointed as the Company Secretary since 1 December 2013. The biographical details of Mr. Lam are set out under the section headed "Directors and Senior Management Profiles".

In accordance with Rule 3.29 of the Listing Rules, Mr. Lam has taken no less than 15 hours of relevant professional training during the reporting year.

## Corporate Communication with Stakeholders

The Company has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, and the institutional and individual shareholders of the Company. The main features of the system are that:

- the Company maintains a website on which comprehensive information about the Group, including corporate structure, management profile, products and services provided, financial reports, announcements and news of the Group, are disclosed;
- the Company establishes and maintains different communication channels with its stakeholders through publication of annual and interim reports, announcements and press releases. To promote effective communication, the shareholders of the Company can obtain corporate communication electronically via the Company's corporate website http://investor.skyworth.com/html/index.php;
- annual general meeting of the Company provide a good forum for the shareholders to exchange views with the Board. The Chairman of the Board as well as chairpersons of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, members of the committees will be available to answer questions which may be raised by the shareholders of the Company;

- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;
- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders despatched prior to the date of the relevant general meeting. The circular also includes relevant details of proposed resolutions;
- the poll results are published on the website of Hong Kong Exchanges and Clearing Limited and on the Company's website http://investor.skyworth.com/html/index.php; and
- the Company publishes its own newspapers and magazines, which report up-to-date corporate strategy and business development of the Group, on a regular basis for internal circulation.

## Shareholders' Right

The procedures for shareholders of the Company to convene a special general meeting, put forward proposals at shareholders' meetings and propose a person for election as a Director are available on the website of the Company.

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the Company Secretary at the Company's head office at Rooms 1601-04, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Shareholders of the Company can also make enquiries to the Board directly at the general meetings.

## Constitutional Documents

During the reporting year, there were no changes in the Company's constitutional documents.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## OVERVIEW

### Scope of the Report

Skyworth has published its Corporate Social Responsibility ("CSR") Report since the financial year 2014/15. Besides communicating our sustainability strategies, management approaches and performances with stakeholders, this CSR report aims at providing a summary of our ongoing activities that sustain our development as an environmental and social friendly organisation amongst the local communities, environment and the society at large in which we operate.

Our goal in this report is to present an overview of the Group's CSR policy and activities that are being employed to facilitate a better overall environmental and social ecosystem, with the support of qualitative and quantitative information related to its business performance. It therefore, covers the Group's core activities (including Skyworth and its key subsidiaries), across our main business segments: audio-visual and electronic home appliances business. In connection with the environmental protection and operating practices aspects, this report has mainly focused on the Group's TV business and set-top box business. These two business lines have significant implications on the Group's operation as they contributed the most substantial revenue generation and cash flow transactions.

The reporting framework adopted is in accordance with the disclosures requirements set forth in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules issued by the Stock Exchange (the "ESG Guide"). In compliance with the ESG Guide and the CG Code, the Board has taken up an overall responsibility for formulating the Group's Environmental, Social and Governance ("ESG") strategy and reporting. The Board is also actively engaged in evaluating and determining the Group's ESG-related risks, as well as ensuring that effective ESG risk management and internal control systems are in place. A separate Corporate Governance Report is set out from pages 44 to 60 of this Annual Report for reference.

#### Becoming a constituent member of Hang Seng Corporate Sustainability Benchmark Index

Skyworth has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for 2 consecutive years since 2015, acknowledging the Group's effort and performance with regard to its corporate responsibility, environmental, social and corporate governance aspects. The Group has made significant progress on the core elements in promoting corporate sustainability during the reporting year 2016/17.

### Our Business

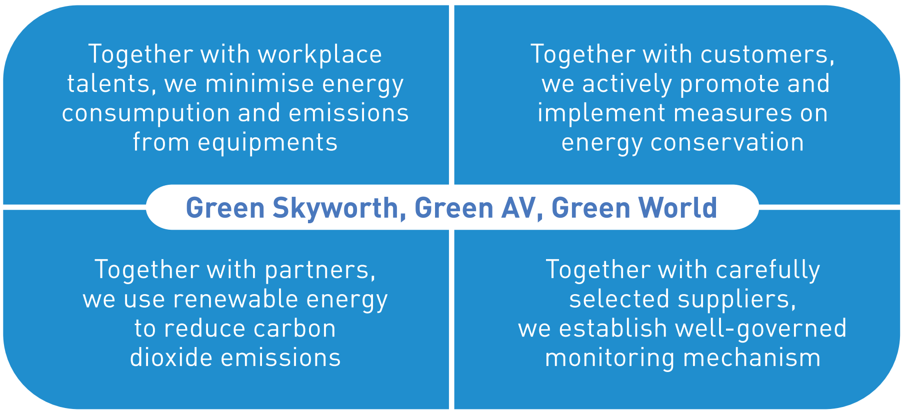
Skyworth was established in 1988 and listed on the Main Board of the Stock Exchange in 2000. The Company's headquarters is located at Shenzhen High-tech Industrial Park which is known as the "Silicon Valley" of China. The Group is a large-scale high-tech organisation with core business activities initially established in China with an aim to expand its organisational footprint globally. The Group principally engages in, among others, research and development, manufacture and sale of products such as TV, digital set-top-box, display device, security monitor, home appliances and LED illumination.

The Group always puts product quality as top priority and advocates the principle of "full dedication to finer products", and upholds the idea of development through technological innovation. Promoting industrial transformation and continuously upgrading the TV manufacturing field, while implementing independent research and development on OLED TV, lay the foundation for the Group to become one of the leading brands in the industry.

Skyworth expands its businesses with an international vision. Its TV products, digital set-top-boxes and other products have already gained significant shares in various markets in Europe, South America, the Middle East and Southeast Asia.

## Skyworth's Corporate Responsibility Philosophy

The Group places strong emphases on both its financial performance and non-financial achievements. While committed to maintaining high standards of corporate governance, the Group puts in tremendous efforts to meet the stakeholders' expectations as well as working towards its vision of attaining "Green Skyworth, Green Audio-visual, Green World".




The Group treats all staff with fairness and respect, and inspires them to attain their full potential. With commitment to the highest ethical standards in conducting our business, the Group also sets a role model to the suppliers and contractors and encourages them to observe corporate responsibility philosophy similar to ours.

The Group's dedications to the society with love and care have been duly recognised and it has been elected as one of the top ten "Enterprises with Most Compassion" in Shenzhen. During the reporting year 2016/17, the Group consistently contributes to our community and received further awards and recognitions.

## WORKPLACE QUALITY

### Our Values

Skyworth advocates the core values of "Integrity, win-win cooperation" and "Growth and Development", so as to attract, cultivate and retain talents. These core values lead our way to create added values for customers, shareholders, employees and the society.

### Our People

Employees are the Group's most valuable asset and the primary force in sustaining our business growth. Since incorporation, the Group has placed strong emphasis on talent management and team spirit. A healthy, diversified and harmonious working environment is nurtured where equal employment opportunities are provided. Employees are motivated to unfold their potentials and to advance their technical knowledge via various training programmes developed by the Group. Promotion, salary review and redeployment are based on employees' individual performance.

As at 31 March 2017, over 38,000 full-time employees were serving different teams, including the head office management, innovation development, research and development, administration and frontline manufacturing operations. About 90% of our staff members are located in the PRC while the rest are in Hong Kong or overseas.

## Our Human Resources Policies – how Talents are attracted

The Group has established a set of comprehensive human resources policies and well-structured human resources mechanism in compliance with relevant rules and regulations under the applicable laws in China, Hong Kong and other relevant jurisdictions. The Group has issued the "Social Employment and Staffing Policy" covering comprehensive human resources matters related to recruitment, staff movement, salary adjustment, promotion, resignation and equal employment opportunities.

### Social Employment and Staffing Policy

The Group has strictly complied with the labour law in the PRC, Hong Kong and other applicable jurisdictions. The related human resources policies include but not limited to the following areas:

1. Promotion of equal opportunity, employment, remuneration. Promotion of ranks in the Group will not be affected by employees' social identities such as race, age, nationality, gender, religion, sexual orientation and marital status.

2. Workers' wages, overtime payments and related benefits are made in accordance with local minimum wage (or above) of applicable jurisdictions.

3. Holidays and statutory paid leaves are compliant with the legal requirements of applicable jurisdictions.

4. Avoidance of child and forced labour.

### Labour Standards

The Group has strictly complied with the relevant rules and regulations of the PRC, Hong Kong and other relevant jurisdictions relating to the avoidance of child and forced labour during the reporting year 2016/17. If there are irregularities, the Group will take corrective actions immediately and provide appropriate guidelines to prevent similar incidents.

During the reporting year 2016/17, there was no material case of non-compliance with the labour laws and regulations.

## Our Rewards and Recognitions – what Talents treasure

The Group rewards its employees based on their job performance and contributions to the Group. A structured performance appraisal system is in force where the corporate values and beliefs will be used as criteria to assess employees' daily assignments and achievements.

## Our Training and Development – where Talents rise and shine

The Group has continued to dedicate considerable efforts on training and development during the reporting year 2016/17, covering all levels from directors, senior management to frontline operations and technical staff. Aside from on-the-job training courses which are either conducted in-house or by external experts, education allowances and tuition reimbursements are also granted to employees who have pursued continuous learning and education programmes that are relevant to their duties.

The Group has proudly established the College of Skyworth in 2004, directly managed by the Group's head office, where comprehensive trainings are provided for staff at all levels. Promulgated in 2015, the "Training Management Policy of the College of Skyworth" directed that all training courses and programmes would continue to focus on specialists and critical roles. Depending on their respective roles, staff members will receive relevant training courses in areas from technical skills like products and operational knowledge, quality management to management knowledge like corporate evolution and management innovation, technology innovation, cost control management, leadership and management skills, and sales and relationship management, etc. Professional development training programmes are also available to ensure employees are updated with latest information, technologies and advanced skills.

During the reporting year 2016/17, the College of Skyworth organised various key training programmes for over 3,000 staff members, including middle and senior management and other selected employees.

Directors are encouraged to attend training courses to enrich their knowledge in discharging their duties and responsibilities. The Group invited professional speakers to deliver seminars to Directors on relevant topics with emphasis on their roles, functions and duties as directors, regulatory requirements and corporate governance issues.

## Our Workplace – where Harmonious Environment is fostered

### Employees' Well-being

The Group endeavours great care for the overall well-being of employees. Majority of the employees working in the Group's China manufacturing factories come from different provinces of the country and the Group recognises that a sense of belonging is very important for staff retention. To achieve that and as part of our continuous improvement programmes for the living environment, we continuously upgrade the dormitories, canteens and recreational facilities.

The Group has also encouraged all departments to undertake social and team-building activities in order to enhance employees' motivation and foster friendliness and team spirit. During the reporting year 2016/17, the Group provided a wide range of sports events such as basketball, football, table tennis and badminton contests. In addition, leisure activities and courses targeted to enhance job satisfaction and relieve stress, such as "Management Psychology", "Outward Bound Development", "Quality Management", "Enneagram" and "Emotional and Stress Management" were provided. Employees responded positively to these leisure activities as they help to enrich communication between colleagues and derive a sense of belonging to the Group.

### Communication Channels

The Group believes that open communication, within offices and across departments in different workplaces, facilitates employees to cooperate and foster a harmonious working environment. Collaboration is one of the core aspects of the Group's corporate culture. The Group has created an open, clear and constructive dialogue platform between management team and staff for better communication. Any issues or enquiries raised by employees through different communication channels are handled and investigated by the Group with due care in a confidential manner.

## Our Workplace – where Healthy and Safe Environment is ensured

Workplace safety is the Group's highest priority for the physical well-being of employees. The Group is dedicated to providing a safe and healthy working environment and offering occupational safety trainings to employees. Employees can make reference to the business operational guidelines which have been prepared by the Company in accordance with applicable laws and regulations. All manufacturing facilities are in compliance with national health and safety standards. During the reporting year 2016/17, the Group did not have any work related fatality case and we were not aware of any violations of laws and regulations relating to occupational health and safety.

## ENVIRONMENT PROTECTION

### Emissions

Through persistent efforts in technological innovations and constant reviews of internal guidelines, the Group is committed to reducing the greenhouse gas and wastes generated in its daily operations for the benefit of a future green environment. RGB, the Group's principal subsidiary, has become a member of the China Emission Exchange since 2013 on carbon trading. In 2016, RGB was awarded as one of the five "Low Carbon Pilot Enterprises", in recognition for the Group's efforts in carbon emission management.

The total amount of greenhouse gas emissions for the TV business and digital set-top box business was equivalent to 58,504 tonnes and 17,755 tonnes respectively of carbon dioxide during the reporting year 2016/17.

The Group has implemented the following measures to reduce the amount of greenhouse gas emissions, hazardous and non-hazardous waste:

#### Measures on reducing greenhouse gas:

- **Replacement of diesel forklift Trucks:** Half of the conventional diesel forklift trucks had been replaced by electric forklift trucks in the Group's factories to reduce carbon emissions. In future, all conventional diesel forklift trucks will be replaced by electric forklift trucks to achieve zero emission from trucks.

- **Installation of Solar Panels:** The Group is committed to cutting down the carbon footprint by installing a solar power system that captures solar energy for generating electricity.

- **Production Equipment Enhancement:** The Group continues to enhance production equipment by replacing the current injection moulding machines in its energy conservation project. New type of servo motors will be used to replace most of the traditional motors.

#### Measures on reducing hazardous and non-hazardous waste:

- **Waste Disposal:** The hazardous waste which is indirectly generated in the production is separately collected, stored and disposed of properly by approved and qualified companies. For non-hazardous waste, the waste will be recycled if possible. Those non-recyclable will be disposed of by professional companies.

- **PCB Optimisation:** Hazardous waste has been reduced effectively through optimising the printed circuit board (PCB) edge technology. The waste generated in tin slag, waste PCB board and waste lamp has been correspondingly reduced by 20%, 30% and 50% after the implementation.

During the reporting year 2016/17, there was no material case of non-compliance with the environmental laws and regulations in different jurisdictions.

## Increase resources utilisation efficiency

The Group has been contributing tremendous efforts to improve the environment by effectively utilising resources within the Group's business. The Group strongly believes that business expansion and minimisation of natural resources' consumption can co-exist. Strategies have been implemented to achieve reduction in resources utilisation with comparable maximisation in energy efficiency, which are further elaborated in below examples.

- Implementation of energy-saving moulding machines contributed to save more than 40% of electricity.
- The use of new energy-saving LED lamps instead of traditional fluorescent tubes could save up to more than 60% of the electricity.
- The Group has enhanced the central air-conditioning system and related air-conditioning equipment with a new environmental friendly refrigerant HR427. In addition, the use of high efficiency catalyst in conventional refrigerant could help to improve cooling efficiency and reduce power consumption.
- Individual water consumption accounts were established to record monthly statistics on water consumption for data analysis leading to on-going improvement measures.
- Expand installation of solar panels on rooftop to increase power generation, while integrating the electricity supply into daily operation to support the manufacturing production.

## OPERATING PRACTICES

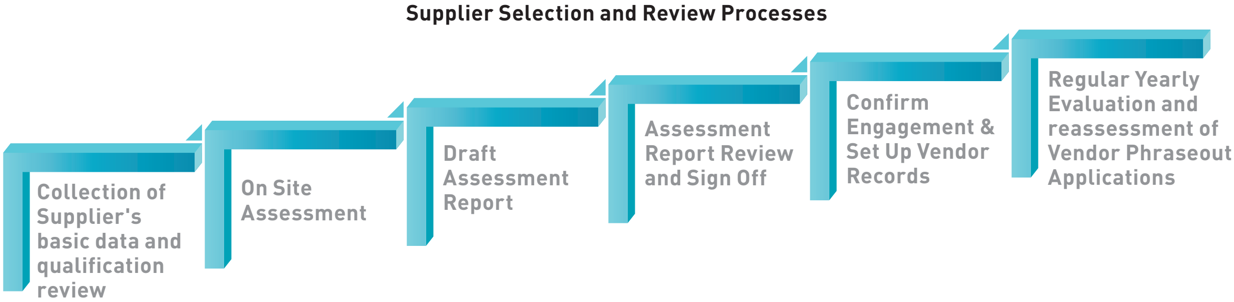
## Supply Chain Management ("SCM")

### TV Products

The TV business segment implemented a stringent SCM policy aiming to ensure the adaptation of well-governed supplier control to minimise the overall undesirable environmental impacts as well as monitoring the Group's internal suppliers' quality, integrity, synergy and economies of scales. The internal "Business Partners 'Trade Safety Management'" policy reflects the Company's considerations in selecting those suppliers who are in alignment with the Group's organisational strategies and environmental practices and pursue environmental protection policies in their entire supply chain functions. This stringent policy comprehensively covers all the processes from internal and external transportations, warehousing, logistic service providers, packaging, and assembly to customer services.

The TV business segment applied three core principles of supplier management including volume concentration, business integrity, and priority. Selection of suppliers is focused on those with quality assurance, full coverage of product ranges, and proof of adherence to environmental compliance. The following flow chart illustrated the supply management processes for vendor selections and on-going evaluations.

**Supplier Selection and Review Processes**



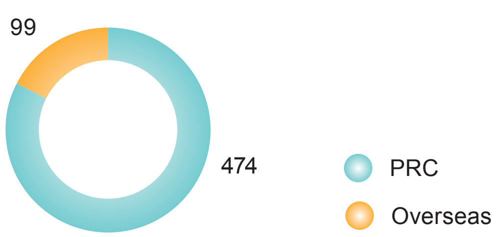
The supplier review programme sets out the on-going process for assessing and maintaining supplier's qualification and quality. Generally, product specifications and laboratory testing reports would be collected before on-site assessment of suppliers' conditions against pre-determined criteria. A formal assessment report to become an official supplier would be formulated for final review and approval by the Supply Chain Committee. After being engaged, the supplier would have to submit an annual environmental inspection report in addition to monthly performance assessments on delivery, quality, cost and service ratings. These assessments will be used to evaluate the supplier's overall performance for determining the procurement proportion and serve as a basis to determine the continuity of long-term contractual relationship. In order to maintain the supply chain quality and stability, the TV business holds regular supply chain management meetings to assess the compliance of existing processes with internal policy and review of annual suppliers' evaluations. The Supply Chain Committee would make the final decision for any vendor to be phased-out due to non-compliance of required standards.

## Digital Set-top box Products

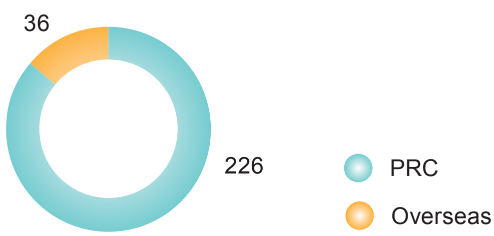
The digital set-top box business segment requires potential suppliers to comply with two main internal agreements for ensuring quality. These internal agreements were pre-formulated to ensure standardised selection process including "Parts Quality Assurance Agreement" and "Supplementary Agreement for Certification Parts".

During the reporting year 2016/17, the total numbers of suppliers in China and Hong Kong is disclosed in the following figure.

**Number of Suppliers in TV Business**




**Number of Suppliers in Digital Set-top Box Business**



## Product Responsibility

The Group strives to deliver quality products by implementing strict Quality Management System across all processes from product planning, development, design, manufacturing production to after-sales services. Internal guidelines were established to ensure compliance of all the applicable safety regulations for product safety, electromagnetic compatibility (EMC), in both domestic and international jurisdictions.

The Group's Quality Management System controls the products' quality on an on-going basis and the following figure details the processes. The ability to deliver quality products depends substantially on improving the staff's competencies in documenting procedures and standardised workflows, leading to control of the overall production efficiency and superiority. Quality inspections of the finished goods are focused on their functionalities and appearances. In addition, employees are trained to carry out specialised modules that require expertise, and an internal incident reporting channel is also in place for management's control. There was no material case of non-compliance with the law and regulations on product safety noted during the reporting year 2016/17.

**Quality Management System within Production Process**


### TV Products

During the reporting year 2016/17, the Group sold approximately 16 million units of TV in the domestic and overseas market, and the number of scrap unit were 228, accounted for 0.000018% of the total units sold. The rate of customer complaint was minimal and was recorded at less than 0.0011% of the total units of TV sold during the reporting year. The Skyworth branded TV was recognised as the "Consumer Favorite TV Brand" in year 2016 by the China Electronic Chamber of Commerce.

### Digital Set-top box Products

During the reporting year 2016/17, the Group sold approximately 22 million units of digital set-top box in the domestic and overseas markets, and our record showed no product was returned after sales. The rate of customer complaint was also minimal and was recorded at less than 0.00036% of the total units of set-top boxes sold during the reporting year.

In handling customer complaints, there is a rigorous internal management process covering issues analysis, investigations, proposals for remedy, customers' verifications, site maintenance and development of long-term improvements. The documented procedures are set out in the "Customer Communication and Complaint Handling Control Procedures" to ensure appropriate resolution on customer complaints. Owing to the stringent quality control, the digital set-top box business was awarded recognition for "Quality Management System Certification" (ISO9001) and "Quality Management System Certification of the Telecommunications Industry" (TL9000) during the reporting year.

In addition, the Group puts a strong emphasis on personal information and customer privacy. Internal guidelines are published for appropriate handling of important privacy information. Data are encrypted in the system to protect all confidential information and prior approval is required from the IT department for extraction of customer related information.

## Respect for Intellectual Properties ("IP")

The Group has contributed every effort to protect the interest of IP owners and a dedicated IP department was launched to manage and coordinate all affairs related to intellectual property rights on its products. With the introduction of "Skyworth Intellectual Property Management Handbook", which provided management guidelines for standardising the IP management processes, patents management, patent transfer and licensing, and patent rewards were formulated. Additional internal practice guidelines on software copyright, protection of trade secrets, patent application, trademark management, and related patent training programmes were also established.

In particular, the IP department performs researches for patents related to the Group's products in order to avoid infringement on others manufacturers' IP rights as far as possible. The internal IP management was further enhanced since the Group introduced a system named "Patent Star" in 2016 to manage the IP through the professional patent management software. The system allows control over the status of all the patents within the Group from application proposal to the on-going maintenance of patent rights. This allows realising electronic progress monitoring and real time reporting on end-to-end IP management. Concurrently, the IP management incorporates confidentiality terms into the contracts between third parties and the Group, ensuring that the Group's patents and core technology can be further secured.

During the reporting year 2016/17, there was no material case of non-compliance with the rules and regulations relating to the intellectual properties.

## Anti-corruption

The Group has stringent internal guidelines and code of conduct that ensure explicit understanding by employees on the provisions of anti-corruption, anti-bribery, conflict of interest, receipt of gift and entertainment, data confidentiality and security, and fund management policies. All business units within the Group are required to comply with the above policies strictly. To promote in-house integrity, the Group further introduced the whistle-blower policy and relative rewards guidelines. Independent reporting channels were also set up to accept reporting of any misconduct found, which would be investigated by the internal audit and legal departments.

During the reporting year 2016/17, there was no material case of non-compliance with the anti-corruption rules and regulations.

## BUILDING AND ENVIRONMENT

### Architectural Design and Environmental Protection

For every construction project, the Group takes "green" concepts into serious considerations and incorporates proactive steps to build sustainable eco-friendly buildings. As a responsible corporate citizen, the Group implements conservational initiatives to minimise the undesirable environmental footprints, reduce consumption of natural resources and protect surrounding areas by integrating eco-design and environmental measures.

Prior to the construction of the two main buildings of the Group, Skyworth Semiconductor Design Building (the "Building") and Skyworth Shi Yan Industrial Park ("Industrial Park"), the Group obtained and passed the environmental assessment by the PRC Governmental Authorities. In particular, each construction project applied targeted measures which were specific to the locations of the construction sites. Industrial Park is a location that consists of multiple eco-environmental designs including (i) atmospheric class of control areas; (ii) water protection area, (iii) rubbish recycling area and (iv) sewage treatment station. The Group is proud that this project has been completed with nominal industrial pollution. The Group highly values the use of energy-saving and environmental protection construction materials in most of the construction projects, such as solar lights, solar hot water recycling, air conditioning heat recovery, water sanitary tools, Low Emissivity glasses ("LOW-E glasses") and other measures, which will be further elaborated in the following section.

#### Green Architecture and Energy Saving

- **Environmental-Friendly Material:** The glass walls of the Building were made of LOW-E glasses, which can effectively block the transmission of heat from the sun and the penetration of ultraviolet rays. In addition, thermal insulation materials were used to construct the building roof, floors, and other structures. All these measures could indirectly reduce the indoor temperature and save energy with less air-conditioning.

- **Solar Energy Conservation:** The solar panels and solar hot water supply system were installed on the roof of the Building and the staff quarters within the Industrial Park to generate electricity and heat. All electricity, gas and water supply systems were engineered to minimise transmission losses. Rainwater harvesting and roof insulation boards were also installed in certain buildings to reinforce the environmental concepts.

- **LED Lighting Conservation:** Lamps in the underground garage of the Building, various areas within the commercial shops/offices, and the basements of the Industrial Park have installed 8W LED lamps which are equivalent to 20W fluorescent lamp illumination. As the result, it reduced the overall electricity consumption as a Group.

- **Sustainable Product Design:** The water-cooled and heat recovery design of the air conditioning in the Building can save 10% to 20% electricity consumption more than regular model. The environmental-friendly refrigerant R134a for the air-conditioning system with ozone-depleting potential (ODP) of 0 and global warming potential (GWP) of 0.29 further assists to reduce the adverse impact to the environment.

#### Environmental Protection

- **Water Conservation:** Domestic sewage in the Industrial Park is discharged into sewage treatment station monitored online by the Ministry of Environmental Protection of the PRC, ensuring that the sewage emission complies with the A-grade national standard after treatments. The purified sewage would then be further processed for reuse (flushing, greening and washing). This water recycling process could reduce the daily water consumption by 16% or 300,000$m^3$.

- **Green Area Conservation:** The Group's factories, office buildings, staff quarters and other buildings are enveloped by approximately 120,000 square meters of green areas, which is about 30% of the total area.

## COMMUNITY CONTRIBUTIONS

The Group has devoted many resources to support those in need and also contributed efforts to actively participate in diversified CSR activities. Over the years, the Group has actively involved in disaster relief, supporting the underprivileged, donating to schools, promoting Chinese culture and other public services, and contributing to our community at large through various channels. During the reporting year 2016/17, the Group's CSR activities included educational support, maintaining the community health centre, technology sharing, volunteering initiatives and charitable donations.

### Educational Support

Promoting the development of education in China has always been one of the key focus areas for the CSR activities of the Group and it has actively contributed to building educational infrastructure, engaging in school construction projects and providing financial aids to the underserved students.

- Construction Projects of Red Army Primary School

  Since 2012, the Group has organised "Skyworth National Red Army Primary School Project" for 4 consecutive years to improve the educational infrastructure at China's underprivileged areas. The project included constructions of Red Army Primary Schools in the mainland China and building multimedia classrooms in these schools, providing students with advanced educational equipment. Every Red Army Primary School was equipped with the Group's electronic educational products, refrigerators, books and sporting goods to express our care and love to the children.

  The Group was granted the China CSR Contribution Award by "The Economic Observer". This award recognised the Group as one of the outstanding enterprises in the PRC that demonstrated ample commitment in social responsibility.

  As of 31 March 2017, the Group has sponsored the construction of around 80 Red Army Primary Schools in China.

- Campus Recruitment Scheme

  The Group has established a long-term partnership with high schools and universities across China to promote and explore the integration of technology and education. Currently, we have collaborated with 10 high schools in China in setting up the "Skyworth Campus Club" for students to understand the Group's business developments, fostering Skyworth campus recruitment scheme and attracting potential students to become a new member of Skyworth. During the reporting year 2016/17, the Group organised campus recruitments in various universities in the PRC, including Tsinghua University, Southeast University, Wuhan University, Tianjin University, Huazhong University of Science and Technology, South China University of Technology, Chengdu University of Electronic Science and Technology and Harbin University.

  Apart from campus recruitment scheme, the Group has also created a "school-enterprise cooperation" model with the Institute of Industrial Science and Technology in Henan, Chongqing Yunyang Vocational Education Centre and other educational institutions. The collaboration model provides internship opportunities for vocational and technical schools, while offering a potential employment platform to those who have participated.

## Establishment of Community Health Centre

The Group shows high priority for the overall well-being of employees and their quality of life. In 2015, "Skyworth Community Health Centre" was established in Shenzhen Shiyan Industrial Park, China. This centre organises regular medical and healthcare seminars and provides services to approximately 10,000 of Skyworth staff and their families who live nearby the Industrial Park.

"Skyworth Community Health Centre" is a non-profit making healthcare and social health insurance organisation approved by the Shenzhen Municipal Health Bureau in China. It is a primary healthcare point providing a wide range of services such as general practice, preventive healthcare, rehabilitation therapy and health education. The healthcare centre is divided into 6 functional areas which include general medical area, children protection zone, injection and infusion area, emergency rescue zone, regular inspection area and rehabilitation therapy.

## Technology Sharing

Conducting technology sharing exhibitions is also one of the social events of the Group. During the reporting year, Skyworth continued to engage in the development of and contribute to the China space industry, and was accredited as a "Strategic Partner of China Aerospace" by the China Space Foundation in 2016.

With the support of mobile communication and the Group's advanced technology products during the roadshows and exhibitions, the aerospace knowledge of the participants was enhanced through product experience, technology sharing and interactive games.


## Volunteering Initiatives and Charitable Donations

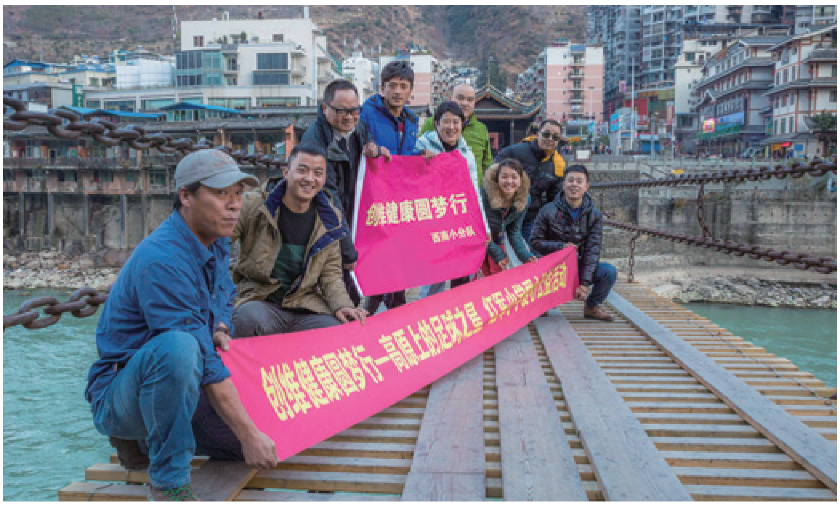
The Group closely collaborates with local social organisations and voluntary services associations in organising or participating various community services.

### Volunteering Works

The Group sets up a service team that actively promotes the spirit of "dedication, friendship, mutual aid and advancement". Since 2013, it has participated in various social services and organised different volunteering works. During the Spring Festival, The Group's voluntary team expressed their love to the migrant workers by assisting them to return home at Luohu bus station and Silver Lake bus station amidst the cold winter. Skyworth's voluntary team provided guidelines in taking public transport in Skyworth Shiyan Industrial Area, resolving the problem of private cars occupying the public buses' platform. To promote green initiatives, the voluntary team also carried out various environmental protection events and organised garbage clean-up activities. Through these volunteering activities, the staff could further enhance their environmental awareness.

### Charitable Donations

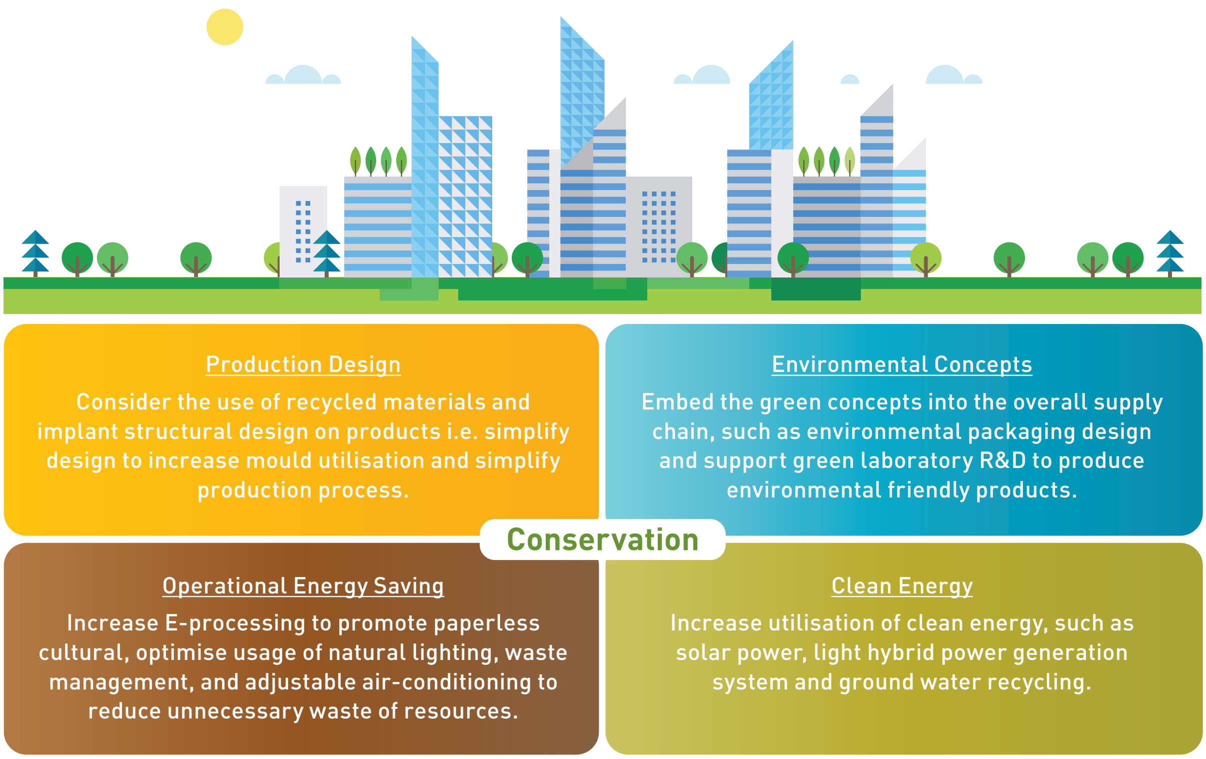
During the reporting year 2016/17, the Group was engaged in various charitable activities, and made charitable donations of about HK$4 million, including donations to Red Army Primary School and the development of China Space Industry. The Group believes that these social supports will have a positive and long-term impact to the Group and the community at large.




## SKYWORTH ENVIRONMENTAL STRATEGIES

Skyworth is committed to reducing the overall undesirable environmental impacts and a long term conservation plan is designed to guide the different business segments to extrapolate the Group's core values into their operations and comprehend the environmental conservation objectives. The following figure summarises the conservation plan with its four main strategies.

**Skyworth's Long Term Green Initiatives**




The 'production design' strategy aims to simplify the overall production system such as streamlining the production procedure, increasing the mould utilisation rate and considering the use of recycled materials to minimise resources consumption. With the 'operational energy saving' strategy, the Group will relentlessly promote the environmental awareness culture and embed the conservation value to our workforce. Increased E-processing to reduce paper wastage, concepts to optimise usage of natural lighting, waste management and adjustable air-conditioning will be reinforced. The 'environmental concepts' strategy targets to implant the green initiatives into the Group's supply chain from procurement to delivery of end products. This requires greater efforts in product designs and improvement of its energy saving performance, eco-friendly packaging, or even the transportation emissions. Last but not least, the 'clean energy' strategy encourages the on-going transformation from the traditional energy sources to the increased utilisation of clean energy.

The Group is a keen supporter for developing a healthy and green community. Moving forward, the Group will endeavour to progress further in our sustainability journey by taking proactive steps in lanching more CSR initiatives to accomplish our vision.

# INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

**To the Members of Skyworth Digital Holdings Limited**
**創維數碼控股有限公司**
*(incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 196, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| ***Write-down for inventories*** | |
| We identified the write-down for inventories as a key audit matter due to the significance of inventories to the consolidated statement of financial position as a whole, combined with significant management judgement associated with the assessment of write-down for inventories.<br><br>As disclosed in notes 28 and 11 to the consolidated financial statements, inventories of the Group as at 31 March 2017 comprised of raw materials, work in progress and finished goods amounting to HK$2,428 million, HK$360 million and HK$3,878 million respectively. An expense of HK$117 million was recognised in profit or loss to write-down the cost of inventories to their net realisable values during the year ended 31 March 2017.<br><br>As disclosed in note 4 to the consolidated financial statements, the assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, estimated cost to completion and reviewing the usability and saleability of inventories. | Our procedures in relation to the write-down for inventories include:<br><br>• Obtaining an understanding on management process of carrying out the assessment of write-down of inventories;<br><br>• Evaluating the basis of write-down for inventories assessed by management;<br><br>• Assessing the appropriateness of the estimated selling prices of the inventories by tracing to recent or subsequent selling prices of the same products, on a sample basis;<br><br>• Evaluating the reasonableness of management's estimates for cost to completion and tracing to the supporting documents, on a sample basis;<br><br>• Obtaining an understanding on how management review of usability and saleability of inventories by product types for identifying of slow moving inventories; and<br><br>• Testing the accuracy of the inventory ageing prepared by management, on a sample basis, to the corresponding goods receipt documents or production reports. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of trade receivables*** | |
| We identified the impairment of trade receivables as a key audit matter due to the significance of trade receivables to the consolidated statement of financial position as a whole, combined with significant management judgement associated with the assessment of impairment of trade receivables.<br><br>As disclosed in note 4 to the consolidated financial statements, the carrying amount of trade receivable is HK$5,671 million (net of allowance for doubtful debts of HK$170 million).<br><br>As disclosed in note 4 to the consolidated financial statements, the impairment loss assessment requires significant management judgement in determining the recoverability of trade receivables. | Our procedures in relation to the impairment of trade receivables include:<br><br>• Obtaining an understanding on management process of carrying out the impairment assessment of trade receivables;<br><br>• Evaluating the basis of impairment of trade receivables assessed by management;<br><br>• Evaluating the reasonableness of the analysis of recoverability of trade receivables prepared by management with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers;<br><br>• Testing the subsequent settlement of trade receivables, on a sample basis, to the bank receipts; and<br><br>• Testing the accuracy of the trade receivable ageing prepared by management, on a sample basis, to the sales invoices and good delivery documents. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Wu Ka Ming.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
13 June 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 March 2017*

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

| | NOTES | 2017 | 2016 |
|---|---|---|---|
| Revenue | 5 | **42,845** | 42,695 |
| Cost of sales | | **(34,278)** | (33,332) |
| Gross profit | | **8,567** | 9,363 |
| Other income | 7 | **1,535** | 1,411 |
| Other gains and losses | 8 | **200** | (55) |
| Selling and distribution expenses | | **(5,091)** | (4,756) |
| General and administrative expenses | | **(2,864)** | (2,581) |
| Finance costs | 9 | **(359)** | (239) |
| Share of results of associates | | **–** | 3 |
| Share of results of joint ventures | | **(4)** | 4 |
| Profit before taxation | | **1,984** | 3,150 |
| Income tax expense | 10 | **(455)** | (623) |
| Profit for the year | 11 | **1,529** | 2,527 |
| **Other comprehensive (expense) income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation | | **(1,181)** | (695) |
| Cumulative exchange loss reclassified to profit or loss upon disposal of a subsidiary | 45(e) | **(1)** | – |
| Fair value gain (loss) on available-for-sale financial assets, net of tax | | **62** | (20) |
| Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale | 24 | **(5)** | – |
| Reclassification adjustment upon impairment of available-for-sale financial assets | 24 | **4** | 20 |
| Other comprehensive expense for the year | | **(1,121)** | (695) |
| Total comprehensive income for the year | | **408** | 1,832 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **1,310** | 2,170 |
| Non-controlling interests | | **219** | 357 |
| | | **1,529** | 2,527 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **540** | 1,577 |
| Non-controlling interests | | **(132)** | 255 |
| | | **408** | 1,832 |
| **Earnings per share (expressed in Hong Kong cents)** | | | |
| Basic | 15 | **44.64** | 75.89 |
| Diluted | 15 | **44.14** | 74.88 |

# Consolidated Statement of Financial Position

*At 31 March 2017*

*Amounts expressed in millions of Hong Kong dollars*

| | NOTES | 2017 | 2016 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | 16 | **6,303** | 5,818 |
| Deposits for purchase of property, plant and equipment | | **262** | 213 |
| Investment properties | 17 | **5** | 5 |
| Prepaid lease payments on land use rights | 18 | **818** | 718 |
| Deposits for acquisition of land use rights | | **1,883** | – |
| Goodwill | 19 | **521** | 506 |
| Intangible assets | 20 | **116** | 113 |
| Interests in associates | 21 | **79** | 11 |
| Interests in joint ventures | 22 | **43** | 49 |
| Investments in debt securities | 23 | **–** | 702 |
| Available-for-sale investments | 24 | **1,268** | 1,254 |
| Other receivables | 31 | **10** | – |
| Loan receivables | 25 | **32** | 245 |
| Finance lease receivables | 26 | **68** | 146 |
| Deferred tax assets | 27 | **312** | 304 |
| | | **11,720** | 10,084 |
| **Current Assets** | | | |
| Inventories | 28 | **6,666** | 5,494 |
| Stock of properties | 29 | **1,048** | 763 |
| Prepaid lease payments on land use rights | 18 | **29** | 19 |
| Investments in debt securities | 23 | **746** | 2,864 |
| Available-for-sale investments | 24 | **1,052** | 1,042 |
| Held-for-trading investments | 30 | **–** | 15 |
| Trade and other receivables, deposits and prepayments | 31 | **7,426** | 7,447 |
| Bills receivable | 32 | **6,477** | 7,245 |
| Loan receivables | 25 | **2,635** | 1,089 |
| Finance lease receivables | 26 | **91** | 482 |
| Amounts due from associates | 38 | **2** | – |
| Prepaid tax | | **62** | – |
| Pledged bank deposits | 33 | **290** | 493 |
| Restricted bank deposits | 33 | **479** | 402 |
| Bank balances and cash | 33 | **4,336** | 4,621 |
| | | **31,339** | 31,976 |
| **Current Liabilities** | | | |
| Trade and other payables | 34(a) | **10,921** | 10,419 |
| Bills payable | 35 | **5,409** | 5,195 |
| Derivative financial instruments | 36 | **7** | – |
| Provision for warranty | 37 | **164** | 143 |
| Amounts due to associates | 38 | **87** | 35 |
| Amount due to a non-controlling shareholder of a subsidiary | 38 | **102** | – |
| Tax liabilities | | **125** | 312 |
| Borrowings | 39 | **4,979** | 4,950 |
| Deferred income | 40 | **247** | 247 |
| | | **22,041** | 21,301 |
| **Net Current Assets** | | **9,298** | 10,675 |
| **Total Assets less Current Liabilities** | | **21,018** | 20,759 |

# Consolidated Statement of Financial Position

*At 31 March 2017*

*Amounts expressed in millions of Hong Kong dollars*

| | NOTES | 2017 | 2016 |
|---|---|---|---|
| **Non-current Liabilities** | | | |
| Other payable | 34(a) | **–** | 54 |
| Other financial liabilities | 34(b) | **230** | – |
| Provision for warranty | 37 | **73** | 90 |
| Borrowings | 39 | **3,013** | 3,155 |
| Deferred income | 40 | **726** | 626 |
| Deferred tax liabilities | 27 | **163** | 134 |
| | | **4,205** | 4,059 |
| **NET ASSETS** | | **16,813** | 16,700 |
| **Capital and Reserves** | | | |
| Share capital | 41 | **305** | 295 |
| Share premium | | **3,527** | 2,995 |
| Share option reserve | | **206** | 221 |
| Share award reserve | | **33** | 55 |
| Shares held for share award scheme | | **(164)** | (206) |
| Investment revaluation reserve | | **61** | – |
| Surplus account | | **38** | 38 |
| Capital reserve | | **1,402** | 1,238 |
| Exchange reserve | | **(341)** | 489 |
| Accumulated profits | | **10,412** | 9,967 |
| Equity attributable to owners of the Company | | **15,479** | 15,092 |
| Non-controlling interests | | **1,334** | 1,608 |
| | | **16,813** | 16,700 |

The consolidated financial statements on pages 82 to 196 were approved and authorised for issue by the board of directors on 13 June 2017 and are signed on its behalf by:

**LAI WEIDE**
*DIRECTOR*

**LIU TANGZHI**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2017*

*Amounts expressed in millions of Hong Kong dollars*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Share option reserve | Share award reserve | Shares held for share award scheme | Investment revaluation reserve | Surplus account *(Note a)* | Capital reserve *(Note b)* | Exchange reserve | Accumulated profits | Total | Non-controlling interests | Total |
| Balance at 1 April 2015 | 285 | 2,567 | 221 | 37 | (76) | – | 38 | 1,165 | 1,082 | 8,420 | 13,739 | 1,464 | 15,203 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 2,170 | 2,170 | 357 | 2,527 |
| Exchange differences arising on translation | – | – | – | – | – | – | – | – | (593) | – | (593) | (102) | (695) |
| Fair value loss on available-for-sale financial assets | – | – | – | – | – | (20) | – | – | – | – | (20) | – | (20) |
| Reclassification adjustment upon impairment of available-for-sale financial assets | – | – | – | – | – | 20 | – | – | – | – | 20 | – | 20 |
| Total comprehensive (expense) income for the year | – | – | – | – | – | – | – | – | (593) | 2,170 | 1,577 | 255 | 1,832 |
| Purchase of shares for unvested shares under the share award scheme of the Company *(note 44)* | – | – | – | – | (184) | – | – | – | – | – | (184) | – | (184) |
| Recognition of equity-settled share-based payments *(note 44)* | – | – | 34 | 70 | – | – | – | – | – | – | 104 | – | 104 |
| Transfer to capital reserve | – | – | – | – | – | – | – | 73 | – | (73) | – | – | – |
| Issue of shares under share option scheme | 2 | 102 | (34) | – | – | – | – | – | – | – | 70 | – | 70 |
| Issue of shares under scrip dividend scheme | 8 | 326 | – | – | – | – | – | – | – | – | 334 | – | 334 |
| Shares vested under the share award scheme | – | – | – | (50) | 54 | – | – | – | – | (4) | – | – | – |
| Lapse of share award | – | – | – | (2) | – | – | – | – | – | 2 | – | – | – |
| Dividends recognised as distribution *(note 14)* | – | – | – | – | – | – | – | – | – | (590) | (590) | – | (590) |
| Contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | 8 | 8 |
| Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note (c))* | – | – | – | – | – | – | – | – | – | 42 | 42 | 2 | 44 |
| Non-controlling interest arising from acquisition of subsidiaries *(note 45(c))* | – | – | – | – | – | – | – | – | – | – | – | 30 | 30 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (134) | (134) |
| Acquisition of additional interests in subsidiaries *(Note (d))* | – | – | – | – | – | – | – | – | – | – | – | (17) | (17) |
| Balance at 31 March 2016 | 295 | 2,995 | 221 | 55 | (206) | – | 38 | 1,238 | 489 | 9,967 | 15,092 | 1,608 | 16,700 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 1,310 | 1,310 | 219 | 1,529 |
| Exchange differences arising on translation | – | – | – | – | – | – | – | – | (830) | – | (830) | (351) | (1,181) |
| Cumulative exchange loss reclassified to profit or loss upon disposal of a subsidiary *(note 45(e))* | – | – | – | – | – | – | – | – | (1) | – | (1) | – | (1) |
| Fair value gain on available-for-sale financial assets, net of tax | – | – | – | – | – | 62 | – | – | – | – | 62 | – | 62 |
| Cumulative gain reclassified to profit or loss upon disposal of investments classified as available-for-sale | – | – | – | – | – | (5) | – | – | – | – | (5) | – | (5) |
| Reclassification adjustment upon impairment of available-for-sale financial assets | – | – | – | – | – | 4 | – | – | – | – | 4 | – | 4 |
| Total comprehensive income (expense) for the year | – | – | – | – | – | 61 | – | – | (831) | 1,310 | 540 | (132) | 408 |
| Purchase of shares for unvested shares under the share award scheme of the Company *(note 44)* | – | – | – | – | (7) | – | – | – | – | – | (7) | – | (7) |
| Recognition of equity-settled share-based payments *(note 44)* | – | – | 21 | 29 | – | – | – | – | – | – | 50 | – | 50 |
| Transfer to capital reserve | – | – | – | – | – | – | – | 164 | – | (164) | – | – | – |
| Issue of shares under share option scheme | 2 | 114 | (36) | – | – | – | – | – | – | – | 80 | – | 80 |
| Issue of shares under scrip dividend scheme | 8 | 418 | – | – | – | – | – | – | – | – | 426 | – | 426 |
| Shares vested under the share award scheme | – | – | – | (47) | 49 | – | – | – | – | (2) | – | – | – |
| Lapse of share award | – | – | – | (4) | – | – | – | – | – | 4 | – | – | – |
| Dividends recognised as distribution *(note 14)* | – | – | – | – | – | – | – | – | – | (701) | (701) | – | (701) |
| Contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | 2 | 2 | 64 | 66 |
| Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note (c))* | – | – | – | – | – | – | – | – | 1 | (4) | (3) | 29 | 26 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (207) | (207) |
| Acquisition of additional interests in subsidiaries *(Note (d))* | – | – | – | – | – | – | – | – | – | – | – | (2) | (2) |
| Disposal of a subsidiary *(note 45(e))* | – | – | – | – | – | – | – | – | – | – | – | (26) | (26) |
| Balance at 31 March 2017 | 305 | 3,527 | 206 | 33 | (164) | 61 | 38 | 1,402 | (341) | 10,412 | 15,479 | 1,334 | 16,813 |

*For the year ended 31 March 2017*
*Amounts expressed in millions of Hong Kong dollars*

*Notes:*

(a) *Surplus account represented the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserves accounts of Skyworth Investment (Holdings) Limited, a subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000.*

(b) *Capital reserve represented The People's Republic of China (the "PRC") statutory reserves. Pursuant to the relevant PRC regulations and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to transfer not less than 10% of their post-tax profit to statutory reserves (i.e. capital reserve) as reserve funds until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.*

(c) *During the year ended 31 March 2017, the Group disposed of partial interests in certain subsidiaries. This mainly includes a disposal of 13.5% interest of 深圳市酷開網路科技有限公司 for a consideration of HK$16 million. The difference between the consideration of HK$16 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$14 million, amounting to HK$2 million, is credited to accumulated profits.*

*During the year ended 31 March 2016, the Group disposed of partial interests in certain subsidiaries. This mainly includes a disposal of 24% and 4.506% interest of 北京新七天電子商務技術有限公司 and 深圳市酷開網絡科技有限公司 for a consideration of HK$38 million and HK$6 million respectively. The difference between the consideration of HK$44 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$2 million, amounting to HK$42 million, is credited to accumulated profits.*

(d) *During the year ended 31 March 2017, the Group acquired 20% interest in 南京天賜雲端科技有限公司 from a non-controlling shareholder for a consideration of HK$2 million, which approximates the carrying amount of the net assets attributable to the additional interest acquired from the non-controlling shareholder.*

*During the year ended 31 March 2016, the Group acquired 30% interest in 北京新七天科技有限公司 from a non-controlling shareholder for a consideration of HK$17 million, which approximates the carrying amount of the net assets attributable to the additional interest acquired from the non-controlling shareholder.*

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2017*

*Amounts expressed in millions of Hong Kong dollars*

| | **2017** | 2016 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | **1,984** | 3,150 |
| Adjustments for: | | |
| Amortisation of intangible assets | **1** | 3 |
| Depreciation of property, plant and equipment | **397** | 386 |
| Dividend income | **(35)** | (28) |
| Finance costs | **359** | 239 |
| Gain on bargain purchase | **(99)** | – |
| Gain on disposal of a subsidiary | **(44)** | – |
| Gain on disposal of available-for-sale investments | **(5)** | – |
| Government grants related to assets recognised | **(86)** | (254) |
| Impairment loss on trade receivables | **15** | 2 |
| Impairment loss recognised in respect of amount due from and loan to a joint venture | **–** | 31 |
| Impairment loss recognised in respect of available-for-sale investments | **4** | 20 |
| Impairment loss recognised in respect of loan receivables | **72** | – |
| Interest income from available-for-sales investments | **(21)** | (73) |
| Interest income from bank deposits | **(70)** | (92) |
| Interest income from investments in debt securities | **(246)** | (224) |
| Interest income from loan receivables | **(62)** | (11) |
| Loss from changes in fair value of derivative financial instruments | **7** | 1 |
| Loss on disposal of property, plant and equipment | **25** | 8 |
| Provision for warranty | **301** | 230 |
| Release of prepaid lease payments on land use rights | **25** | 19 |
| Share-based payment expenses | **50** | 104 |
| Share of results of associates | **–** | (3) |
| Share of results of joint ventures | **4** | (4) |
| Write-down of inventories | **117** | 5 |
| Operating cash flows before movements in working capital | **2,693** | 3,509 |
| Cash paid on settlement of foreign currency contracts | **–** | (3) |
| Cash received on settlement of performance swap contract | **–** | 1 |
| Increase in inventories | **(1,496)** | (966) |
| (Increase) decrease in stock of properties | **(344)** | 27 |
| Decrease (increase) in held-for-trading investments | **15** | (15) |
| Increase in trade and other receivables, deposits and prepayments | **(622)** | (526) |
| Decrease (increase) in bills receivable | **365** | (228) |
| Increase in loan receivables | **(1,965)** | (1,267) |
| (Increase) decrease in amounts due from associates | **(2)** | 38 |
| Increase in amount due from a joint venture | **–** | (6) |
| Decrease (increase) in finance lease receivables | **421** | (646) |
| Increase in trade and other payables | **1,150** | 1,420 |
| Increase in bills payable | **1,208** | 540 |
| Decrease in provision for warranty | **(290)** | (218) |
| Increase in amounts due to associates | **52** | 30 |
| Increase in deferred income | **25** | 41 |
| Cash generated from operations | **1,210** | 1,731 |
| Hong Kong income tax paid | **(14)** | (14) |
| Overseas income tax paid | **(10)** | – |
| PRC income tax paid | **(729)** | (523) |
| Land appreciation tax paid | **(8)** | (7) |
| NET CASH FROM OPERATING ACTIVITIES | **449** | 1,187 |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2017*

*Amounts expressed in millions of Hong Kong dollars*

| | NOTES | 2017 | 2016 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Dividend received | | **35** | 39 |
| Interest received | | **1,134** | 444 |
| Deposits for acquisition of land use rights | | **(1,883)** | – |
| Purchase of property, plant and equipment | | **(1,495)** | (1,483) |
| Proceeds on disposal of property, plant and equipment | | **32** | 142 |
| Addition to prepaid lease payments on land use rights | | **(16)** | (172) |
| PRC income tax paid related to Shenzhen Gongming Town Cooperation | | **–** | (354) |
| Purchase of intangible assets | | **(4)** | (7) |
| Return on capital upon deregistration of an associate | | **–** | 6 |
| Investments in debt securities | | **(98)** | (3,909) |
| Proceeds on redemption of investments in debt securities upon maturity | | **2,706** | 1,293 |
| Investments in available-for-sale investments | | **(1,838)** | (1,152) |
| Proceeds on disposal of available-for-sale investments | | **1,723** | 1,004 |
| Advances to staffs | | **(282)** | (63) |
| Repayments from staffs | | **255** | 57 |
| Government grants received related to assets | | **161** | 379 |
| Placement of pledged bank deposits | | **(531)** | (505) |
| Withdrawal of pledged bank deposits | | **704** | 423 |
| Placement of restricted bank deposits | | **(109)** | (158) |
| Withdrawal of restricted bank deposits | | **–** | 100 |
| Net cash outflow from acquisition of subsidiaries | 45 | **(65)** | (320) |
| Net cash outflow from disposal of a subsidiary | 45 | **(575)** | – |
| NET CASH USED IN INVESTING ACTIVITIES | | **(146)** | (4,236) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | | **(380)** | (390) |
| Interest paid | | **(359)** | (239) |
| Issue of shares through exercise of share options | | **80** | 70 |
| Purchases of shares for unvested shares under share award scheme | | **(7)** | (184) |
| Contributions from non-controlling interests | | **66** | 8 |
| Acquisition of additional interests in subsidiaries | | **(2)** | (17) |
| Proceeds from partial disposals of subsidiaries | | **25** | 44 |
| New borrowings raised | | **9,749** | 9,546 |
| Repayments of borrowings | | **(9,564)** | (3,961) |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | | **(392)** | 4,877 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | **(89)** | 1,828 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | | **4,621** | 2,950 |
| Effect of foreign exchange rate changes | | **(196)** | (157) |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | | **4,336** | 4,621 |

## 1. GENERAL

Skyworth Digital Holdings Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company's functional currency is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the directors consider that HK$ is the appropriate presentation currency as the management of the Company controls and monitors the performance and financial position of the Group using HK$.

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 55, 21 and 22 respectively.

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

### *Amendments to HKFRSs that are mandatorily effective for the current year*

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |

#### Amendments to HKAS 1 *Disclosure Initiative*

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

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

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

### *Amendments to HKFRSs that are mandatorily effective for the current year (Continued)*

#### Amendments to HKAS 1 *Disclosure Initiative* (Continued)

The Group has applied these amendments retrospectively. Specifically, information to financial instruments was reordered to note 50. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

### *New and amendments to HKFRSs in issue but not yet effective*

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[3] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 7 | Disclosure Initiative[5] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[5] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

4 *Effective for annual periods beginning on or after a date to be determined*

5 *Effective for annual periods beginning on or after 1 January 2017*

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

### *New and amendments to HKFRSs in issue but not yet effective (Continued)*

#### HKFRS 9 *Financial Instruments*

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

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

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

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

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

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

### *New and amendments to HKFRSs in issue but not yet effective (Continued)*

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

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

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

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

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

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

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

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

### *New and amendments to HKFRSs in issue but not yet effective (Continued)*

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$177 million as disclosed in note 47. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

### *New and amendments to HKFRSs in issue but not yet effective (Continued)*

#### Amendments to HKAS 7 *Disclosure Initiative*

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Basis of consolidation (Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Acquisition of a subsidiary not constituting a business*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

### *Intangible assets*

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Intangible assets (Continued)*

#### Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Interests in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investee becomes an associate or a joint venture. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Interests in associates and joint ventures (Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### *Property, plant and equipment*

Property, plant and equipment including buildings, leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties which comprise a portion that is held to earn rentals and another significant portion that is held for use in the production or supply of goods or for administration purposes, and the portion of properties rent out under operating lease cannot be sold out separately (or cannot be leased out separately under a finance lease), are accounted for as property, plant and equipment.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Property, plant and equipment (Continued)*

Depreciation is recognised so as to write off the cost of assets other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

A transfer of an item from investment properties to property, plant and equipment is made where there is a change in use as, evidenced by commencement of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### *Impairment losses on tangible assets and intangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Impairment losses on tangible assets and intangible assets other than goodwill (Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### *Prepaid lease payments on land use rights*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments on land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Stock of properties*

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost of stock of properties includes cost of land, development expenditure and other directly attributable expenses. Net realisable value represents the estimated selling price for stock of properties less all estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Financial instruments (Continued)*

Financial assets (Continued)

***Financial assets at FVTPL (Continued)***

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 50(c).

***AFS financial assets***

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Financial instruments (Continued)*

#### Financial assets (Continued)

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including investments in debt securities, loan receivables, trade and other receivables, bills receivable, amounts due from associates, pledged bank deposits, restricted bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Financial instruments (Continued)*

#### Financial assets (Continued)

***Impairment of financial assets (Continued)***

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss of an increase in the fair value of the investment can be objectively related to an event arising after the recognition of the impairment loss.

#### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Financial instruments (Continued)*

#### Financial liabilities and equity instruments (Continued)

***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 50(c).

***Financial liabilities at amortised cost***

Financial liabilities including trade and other payables, bills payable, amounts due to associates, amount due to a non-controlling shareholder of a subsidiary, borrowings and other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Financial instruments (Continued)*

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### *Provision for warranty*

Provision for warranty is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation. Provision for warranty is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Processing income, and repairs and maintenance income are recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset s net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Leasing (Continued)*

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into RMB; and (ii) the assets and liabilities of the Group denominated or translated into RMB are then translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Foreign currencies (Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Taxation (Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes, the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

### *Equity-settled share-based payment transactions*

#### Share options scheme

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulated expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to equity. The share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Equity-settled share-based payment transactions (Continued)*

#### Share award scheme

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's share held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated profits.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Write-down for inventories

Inventories are stated at the lower of cost and net realisable values. As at 31 March 2017, the carrying amount of inventories is HK$6,666 million (2016: HK$5,494 million). During the year ended 31 March 2017, an expense of HK$117 million (2016: HK$5 million) was recognised in profit or loss to write-down the cost of inventories to their net realisable values.

At the end of each reporting period, management carries out the assessment of write-down of inventories by comparing the carrying amounts of inventories with the net realisable values. The net realisable values are primarily made reference to the estimated selling prices, less the estimated cost to completion, as appropriate. Moreover, management also reviews the usability and saleability of inventories by product types at the end of reporting period, and writes-down for slow moving inventories. The identification of slow moving inventories is based on the inventory ageing and recent or subsequent usages/sales. The assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, estimated cost to completion, and reviewing the usability and saleability of inventories. If the estimates are inaccurate, write-down for inventories may increase or decrease accordingly.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Key sources of estimation uncertainty (Continued)*

#### Impairment of trade receivables

As at 31 March 2017, the carrying amount of trade receivable is HK$5,671 million (2016: HK$5,290 million) (net of allowance for doubtful debts of HK$170 million (2016: HK$178 million)). During the year ended 31 March 2017, impairment loss of HK$15 million (2016: HK$2 million) is made on trade receivables.

At the end of each reporting period, management carries out the impairment assessment of trade receivables based on the recoverability of the trade receivables. Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful, based on historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers. Moreover, trade receivables are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis based on debt ageing, historical loss experience and future cash flow expected to be received. The impairment loss assessment requires significant management judgement in determining the recoverability of trade receivables. When the actual outcome is different from the original estimates, an additional or reversal of impairment loss may have to be recognised.

## 5. REVENUE

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

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

## 6. SEGMENT INFORMATION

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

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

1. TV products (PRC market) – design, manufacture and sale of televisions for the PRC market (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region)

2. TV products (overseas market) – design, manufacture and sale of televisions for the overseas market (including Hong Kong Special Administrative Region and Macau Special Administrative Region)

3. Digital set-top boxes and LCD modules – design, manufacture and sale of digital set-top boxes and design, manufacturing, sales and processing of LCD modules

4. White appliances – design, manufacture and sale of white appliances, including refrigerators, washing machines, etc.

5. Property holding – leasing of property

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

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

Segment information about these businesses is presented below.

## 6. SEGMENT INFORMATION (Continued)

### *Segment revenues and results*

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

**For the year ended 31 March 2017**

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

**For the year ended 31 March 2016**

| | TV products (PRC market) HK$ million | TV products (overseas market) HK$ million | Digital set-top boxes and LCD modules HK$ million | White appliances HK$ million | Property holding HK$ million | Total reportable segments HK$ million | Others HK$ million | Eliminations HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Segment revenue from external customers | 24,129 | 5,983 | 6,685 | 2,366 | 259 | 39,422 | 3,273 | – | 42,695 |
| Inter-segment revenue | 795 | – | 905 | – | 36 | 1,736 | 620 | (2,356) | – |
| Total segment revenue | 24,924 | 5,983 | 7,590 | 2,366 | 295 | 41,158 | 3,893 | (2,356) | 42,695 |
| **Results** | | | | | | | | | |
| Segment results | 2,028 | 154 | 765 | 190 | 174 | 3,311 | (96) | – | 3,215 |
| Interest income | | | | | | | | | 400 |
| Unallocated corporate expenses less income | | | | | | | | | (233) |
| Finance costs | | | | | | | | | (239) |
| Share of results of associates | | | | | | | | | 3 |
| Share of results of joint ventures | | | | | | | | | 4 |
| Consolidated profit before taxation of the Group | | | | | | | | | 3,150 |

## 6. SEGMENT INFORMATION (Continued)

### *Segment revenues and results (Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by (loss from) each segment without allocation of interest income, corporate expenses less income, gain on bargain purchase, gain on disposal of a subsidiary, finance costs, and share of results of associates and joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

### *Segment assets and liabilities*

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

**As at 31 March 2017**

| | TV products (PRC market) HK$ million | TV products (overseas market) HK$ million | Digital set-top boxes and LCD modules HK$ million | White appliances HK$ million | Property holding HK$ million | Total reportable segments HK$ million | Others HK$ million | Eliminations HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Segment assets | 11,336 | 2,340 | 5,783 | 1,197 | 1,775 | 22,431 | 11,440 | – | 33,871 |
| Goodwill | | | | | | | | | 521 |
| Interests in associates | | | | | | | | | 79 |
| Interests in joint ventures | | | | | | | | | 43 |
| Unallocated corporate assets | | | | | | | | | 8,545 |
| Total consolidated assets | | | | | | | | | 43,059 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 4,263 | 811 | 3,656 | 841 | 1,139 | 10,710 | 6,276 | – | 16,986 |
| Unallocated corporate liabilities | | | | | | | | | 9,260 |
| Total consolidated liabilities | | | | | | | | | 26,246 |

## 6. SEGMENT INFORMATION (Continued)

### *Segment assets and liabilities (Continued)*

**As at 31 March 2016**

| | TV products (PRC market) HK$ million | TV products (overseas market) HK$ million | Digital set-top boxes and LCD modules HK$ million | White appliances HK$ million | Property holding HK$ million | Total reportable segments HK$ million | Others HK$ million | Eliminations HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Segment assets | 12,989 | 1,367 | 5,475 | 1,162 | 1,399 | 22,392 | 7,405 | – | 29,797 |
| Goodwill | | | | | | | | | 506 |
| Interests in associates | | | | | | | | | 11 |
| Interests in joint ventures | | | | | | | | | 49 |
| Unallocated corporate assets | | | | | | | | | 11,697 |
| Total consolidated assets | | | | | | | | | 42,060 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 6,878 | 806 | 3,406 | 703 | 510 | 12,303 | 3,633 | – | 15,936 |
| Unallocated corporate liabilities | | | | | | | | | 9,424 |
| Total consolidated liabilities | | | | | | | | | 25,360 |

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

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

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

## 6. SEGMENT INFORMATION (Continued)

### *Other segment information*

**For the year ended 31 March 2017**

| | TV products (PRC market) HK$ million | TV products (overseas market) HK$ million | Digital set-top boxes and LCD modules HK$ million | White appliances HK$ million | Property holding HK$ million | Total reportable segments HK$ million | Others HK$ million | Eliminations HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| Included in measure of segment results or segment assets: | | | | | | | | | |
| Amortisation of intangible assets | – | 1 | – | – | – | 1 | – | – | 1 |
| Capital expenditure on | | | | | | | | | |
| – Intangible assets | 1 | – | – | – | – | 1 | 3 | – | 4 |
| – Property, plant and equipment | 730 | 13 | 219 | 81 | 38 | 1,081 | 350 | – | 1,431 |
| – Prepaid lease payments for land use rights | – | – | – | – | – | – | 16 | – | 16 |
| Depreciation of property, plant and equipment | 273 | 43 | 108 | 94 | 40 | 558 | 117 | – | 675 |
| Loss on disposal of property, plant and equipment | 8 | 3 | – | – | – | 11 | 14 | – | 25 |
| (Reversal of impairment loss) impairment loss on trade receivables | (1) | (7) | 16 | – | – | 8 | 7 | – | 15 |
| Impairment loss recognised in respect of loan receivables | – | – | – | – | – | – | 72 | – | 72 |
| Release of prepaid lease payments on land use rights | 4 | 5 | 1 | 1 | 1 | 12 | 13 | – | 25 |
| Write-down of inventories | 82 | 7 | 17 | 5 | – | 111 | 6 | – | 117 |

**For the year ended 31 March 2016**

| | TV products (PRC market) HK$ million | TV products (overseas market) HK$ million | Digital set-top boxes and LCD modules HK$ million | White appliances HK$ million | Property holding HK$ million | Total reportable segments HK$ million | Others HK$ million | Eliminations HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| Included in measure of segment results or segment assets: | | | | | | | | | |
| Amortisation of intangible assets | – | 1 | 1 | – | – | 2 | 1 | – | 3 |
| Capital expenditure on | | | | | | | | | |
| – Intangible assets | – | 5 | 1 | – | – | 6 | 1 | – | 7 |
| – Property, plant and equipment | 239 | 12 | 300 | 67 | 417 | 1,035 | 249 | – | 1,284 |
| – Prepaid lease payments for land use rights | – | – | – | 21 | – | 21 | 151 | – | 172 |
| Depreciation of property, plant and equipment | 192 | 4 | 102 | 93 | 42 | 433 | 206 | – | 639 |
| Loss (gain) on disposal of property, plant and equipment | 5 | – | 6 | 1 | – | 12 | (4) | – | 8 |
| Impairment loss (reversal of impairment loss) on trade receivables | 4 | – | 6 | (4) | – | 6 | (4) | – | 2 |
| Release of prepaid lease payments on land use rights | 4 | – | 1 | 1 | 2 | 8 | 11 | – | 19 |
| Write-down (write-back) of inventories | 31 | 11 | (22) | 3 | – | 23 | (18) | – | 5 |

## 6. SEGMENT INFORMATION (Continued)

### *Geographical information*

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

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

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

*Notes:*

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

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

## 7. OTHER INCOME

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Dividend income from unlisted investments | 35 | 28 |
| Government grants *(note 40)* | | |
| – related to assets | 86 | 254 |
| – related to expense items | 272 | 165 |
| | 358 | 419 |
| Interest income from | | |
| – available-for-sales investments | 21 | 73 |
| – bank deposits | 70 | 92 |
| – investments in debt securities | 246 | 224 |
| – loan receivables | 62 | 11 |
| | 399 | 400 |
| Repairs and maintenance income | 71 | 50 |
| Value-added-tax ("VAT") refund | 497 | 305 |
| Others | 175 | 209 |
| | 1,535 | 1,411 |

## 8. OTHER GAINS AND LOSSES

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Exchange gain, net | 175 | 7 |
| Gain on bargain purchase *(note 45(a))* | 99 | – |
| Gain on disposal of a subsidiary *(note 45(e))* | 44 | – |
| Loss from changes in fair value of derivative financial instruments *(note 36)* | (7) | (1) |
| Gain on disposal of available-for-sale investments *(note 24)* | 5 | – |
| Loss on disposal of property, plant and equipment | (25) | (8) |
| Impairment loss recognised in respect of amount due from and loan to a joint venture | – | (31) |
| Impairment loss recognised in respect of available-for-sale investments *(note 24)* | (4) | (20) |
| Impairment loss recognised in respect of loan receivables *(note 25)* | (72) | – |
| Impairment loss recognised in respect of trade receivables *(note 31)* | (15) | (2) |
| | 200 | (55) |

## 9. FINANCE COSTS

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Interest on borrowings | **355** | 239 |
| Imputed interest expenses on other financial liabilities *(note 34(b))* | **4** | – |
| | **359** | 239 |

## 10. INCOME TAX EXPENSE

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| PRC income tax | | |
| Current year | **453** | 668 |
| Underprovision in prior years | **11** | 21 |
| | **464** | 689 |
| PRC withholding tax | **12** | – |
| Hong Kong Profits Tax | | |
| Current year | **4** | 1 |
| (Over)underprovision in prior years | **(3)** | 37 |
| | **1** | 38 |
| Taxation arising in other jurisdictions | | |
| Current year | **25** | 25 |
| Land appreciation tax ("LAT") | **8** | 7 |
| Deferred taxation *(note 27)* | **(55)** | (136) |
| | **455** | 623 |

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

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

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

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

## 10. INCOME TAX EXPENSE (Continued)

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. Details of deferred taxation are set out in note 27.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to Enterprise Income Tax ("EIT") pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. HK$12 million (2016: nil) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

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

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

## 11. PROFIT FOR THE YEAR

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets | **1** | 3 |
| Auditors' remunerations | **8** | 9 |
| Cost of inventories recognised as an expense including write-down of inventories of HK$117 million (2016: HK$5 million) | **33,935** | 33,014 |
| Cost of stock of properties recognised as an expense | **266** | 236 |
| Depreciation of property, plant and equipment | **675** | 639 |
| Less: capitalised in inventories | **(278)** | (253) |
| | **397** | 386 |
| Operating lease rentals in respect of land and buildings | | |
| – included in selling and distribution expenses | **148** | 141 |
| – included in general and administrative expenses | **66** | 63 |
| | **214** | 204 |
| Release of prepaid lease payments on land use rights | **25** | 19 |
| Rental income from leasing of properties less related outgoings of HK$77 million (2016: HK$82 million) | **(213)** | (177) |
| Research costs recognised as an expense (including staff costs of HK$822 million (2016: HK$641 million)) | | |
| – included in general and administrative expense | **1,449** | 1,222 |
| Staff costs: | | |
| – Directors' and chief executive's emoluments *(note 12)* | **75** | 113 |
| – Related staff costs for research activities | **822** | 641 |
| – Other staffs salaries, bonus, retirement benefits and others | **3,326** | 3,389 |
| | **4,223** | 4,143 |
| Less: capitalised in inventories | **(1,298)** | (1,346) |
| | **2,925** | 2,797 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Directors' fees | **5,049** | 3,978 |
| Other emoluments: | | |
| Basic salaries and allowances | **4,322** | 6,958 |
| Performance related incentive payments *(Note)* | **51,906** | 86,531 |
| Retirement benefits scheme contributions | **191** | 249 |
| Share-based payments | **13,061** | 14,917 |
| | **74,529** | 112,633 |

*Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the directors.*

No directors waived any emoluments in both years ended 31 March 2017 and 31 March 2016.

The emoluments paid or payable to each of the directors and the chief executive of the Company are set out below:

| | Directors' fees HK$'000 | Basic salaries and allowances HK$'000 | Retirement benefits scheme contributions HK$'000 | Performance related incentive payments HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Executive directors *(Note (i))*: | | | | | | |
| Lai Weide (appointed with effect from 8 July 2016) | 402 | 435 | – | 3,932 | – | 4,769 |
| Lin Wei Ping | 700 | 1,247 | 90 | 2,176 | – | 4,213 |
| Liu Tangzhi (appointed with effect from 15 December 2015) *(Note (ii))* | 555 | 693 | 18 | 8,268 | 10,334 | 19,868 |
| Yang Dongwen *(Note (iii))* | 808 | 601 | 18 | 25,541 | 2,453 | 29,421 |
| Shi Chi | – | 1,346 | 56 | 9,989 | 274 | 11,665 |
| Chan Wai Kay, Katherine (resigned with effect from 1 October 2016) | 1,000 | – | 9 | 2,000 | – | 3,009 |
| | 3,465 | 4,322 | 191 | 51,906 | 13,061 | 72,945 |
| Independent non-executive directors *(Note (iv))*: | | | | | | |
| Cheong Ying Chew | 528 | – | – | – | – | 528 |
| Li Weibin | 528 | – | – | – | – | 528 |
| Li Ming (appointed with effect from 18 March 2017) | 20 | – | – | – | – | 20 |
| Wei Wei (resigned with effect from 18 March 2017) | 508 | – | – | – | – | 508 |
| | 1,584 | – | – | – | – | 1,584 |
| Total directors' emoluments | 5,049 | 4,322 | 191 | 51,906 | 13,061 | 74,529 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

| | Directors' fees HK$'000 | Basic salaries and allowances HK$'000 | Retirement benefits scheme contributions HK$'000 | Performance related incentive payments HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Executive directors *(Note (i))*: | | | | | | |
| Lin Wei Ping | 700 | 1,400 | 90 | 8,160 | – | 10,350 |
| Liu Tangzhi (appointed with effect from 15 December 2015) *(Note (ii))* | 169 | 444 | 5 | 8,028 | 2,881 | 11,527 |
| Yang Dongwen *(Note (iii))* | 600 | 1,941 | 81 | 55,402 | 6,133 | 64,157 |
| Shi Chi | – | 1,267 | 55 | 5,388 | 986 | 7,696 |
| Chan Wai Kay, Katherine | 550 | 1,450 | 18 | 4,000 | 3,166 | 9,184 |
| Lu Rongchang (resigned with effect from 1 January 2016) | 375 | 456 | – | 5,553 | 1,751 | 8,135 |
| | 2,394 | 6,958 | 249 | 86,531 | 14,917 | 111,049 |
| Independent non-executive directors *(Note (iv))*: | | | | | | |
| Cheong Ying Chew | 528 | – | – | – | – | 528 |
| Li Weibin | 528 | – | – | – | – | 528 |
| Wei Wei | 528 | – | – | – | – | 528 |
| | 1,584 | – | – | – | – | 1,584 |
| Total directors' emoluments | 3,978 | 6,958 | 249 | 86,531 | 14,917 | 112,633 |

*Notes:*

*(i) The executive directors' emoluments shown above were for their services in connection with the management of the Group.*

*(ii) Liu Tangzhi is the chief executive of the Group with effect from 1 April 2017. The emoluments paid to Liu Tangzhi before his appointment as director of the Company include basic salaries and allowances, retirement benefits scheme contributions, performance related incentive payments and share-based payments of HK$565,000, HK$13,000, HK$12,210,000 and HK$6,998,000 respectively for the year ended 31 Mach 2016.*

*(iii) Yang Dongwen was the chief executive of the Group up to 31 March 2017, and his emoluments disclosed above include those for services rendered by him as the chief executive.*

*(iv) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.*

## 13. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included five (2016: three) existing directors, details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining two highest paid employees who are neither an existing director nor chief executive of the Company for the year ended 31 March 2016 are as follows:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Basic salaries, allowances and benefits in kind | – | 2 |
| Performance related incentive payments *(Note)* | – | 12 |
| Share-based payments | – | 3 |
| | – | 17 |

*Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the individual.*

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | **2017 No. of employees** | 2016 No. of employees |
|---|---|---|
| HK$8,000,001 to HK$8,500,000 | – | 1 |
| HK$9,000,001 to HK$9,500,000 | – | 1 |
| | – | 2 |

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 March 2017.

## 14. DIVIDENDS

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| 2016 Final – HK14.4 cents (2016: 2015 final dividend HK11.0 cents) per share | **423** | 314 |
| 2017 Interim – HK9.6 cents (2016: 2016 interim dividend HK9.6 cents) per share | **287** | 280 |
| Less: Dividends for shares held by employee's share award scheme *(note 44(ii))* | **(9)** | (4) |
| | **701** | 590 |

The final dividend of HK5.0 cents per share, totalling approximately HK$152 million, for the year ended 31 March 2017 is proposed by the directors of the Company on 13 June 2017. Such final dividend will be satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2017.

## 14. DIVIDENDS (Continued)

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

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

## 15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

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

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

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both years ended 31 March 2017 and 2016.

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 44(ii).

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$ million | Construction in progress HK$ million | Plant and machinery HK$ million | Furniture, equipment and motor vehicles HK$ million | Total HK$ million |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 April 2015 | 3,481 | 479 | 2,303 | 862 | 7,125 |
| Additions | 107 | 909 | 71 | 197 | 1,284 |
| Disposals | (12) | – | (172) | (74) | (258) |
| Reclassification | 372 | (384) | 12 | – | – |
| Acquisition of subsidiaries *(notes 45(c) and (d))* | 245 | 2 | 3 | 2 | 252 |
| Exchange realignment | (99) | (24) | (80) | (22) | (225) |
| At 31 March 2016 | 4,094 | 982 | 2,137 | 965 | 8,178 |
| Additions | 59 | 921 | 261 | 190 | 1,431 |
| Disposals | (49) | – | (78) | (54) | (181) |
| Reclassification | 644 | (649) | 5 | – | – |
| Acquisition of subsidiaries *(notes 45(a) and (b))* | 123 | – | 29 | 9 | 161 |
| Exchange realignment | (279) | (67) | (116) | (77) | (539) |
| At 31 March 2017 | 4,592 | 1,187 | 2,238 | 1,033 | 9,050 |
| DEPRECIATION | | | | | |
| At 1 April 2015 | 644 | – | 832 | 426 | 1,902 |
| Provided for the year | 254 | – | 214 | 171 | 639 |
| Eliminated on disposals | (7) | – | (54) | (47) | (108) |
| Exchange realignment | (25) | – | (31) | (17) | (73) |
| At 31 March 2016 | 866 | – | 961 | 533 | 2,360 |
| Provided for the year | 253 | – | 273 | 149 | 675 |
| Eliminated on disposals | (30) | – | (51) | (40) | (121) |
| Exchange realignment | (69) | – | (54) | (44) | (167) |
| At 31 March 2017 | 1,020 | – | 1,129 | 598 | 2,747 |
| CARRYING VALUES | | | | | |
| At 31 March 2017 | 3,572 | 1,187 | 1,109 | 435 | 6,303 |
| At 31 March 2016 | 3,228 | 982 | 1,176 | 432 | 5,818 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of the terms of the leases or 50 years |
| Plant and machinery | 10% to 50% |
| Furniture, equipment and motor vehicles | 20% to 50% |

Included in leasehold land and buildings of the Group are certain properties with carrying value of approximately HK$587 million (2016: HK$403 million) held under operating leases to earn rentals during the year. These properties do not qualify as investment properties, as more than insignificant portions of the entire properties are held for use by the Group in the production or supply of goods or services or for administrative purposes and these portions could not be sold separately.

The carrying values of leasehold land and buildings, and construction in progress shown above comprise:

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Leasehold land and buildings: | | |
| In the PRC | **1,874** | 1,174 |
| In Hong Kong | **21** | 21 |
| Overseas | **7** | 7 |
| | **1,902** | 1,202 |
| Buildings: | | |
| In the PRC | **1,552** | 2,026 |
| Overseas | **118** | – |
| | **1,670** | 2,026 |
| | **3,572** | 3,228 |
| Construction in progress: | | |
| In the PRC | **1,187** | 982 |
| | **4,759** | 4,210 |

## 17. INVESTMENT PROPERTIES

| | HK$ million |
|---|---|
| COST | |
| At 1 April 2015, 31 March 2016 and 31 March 2017 | 7 |
| DEPRECIATION | |
| At 1 April 2015, 31 March 2016 and 31 March 2017 | 2 |
| CARRYING VALUES | |
| At 31 March 2017 and 31 March 2016 | 5 |

The above investment properties are depreciated on a straight-line basis over the shorter of the term of the lease or 50 years.

The investment properties shown above represent leasehold land and buildings in Hong Kong.

The fair value of the Group's investment properties at 31 March 2017 was approximately HK$39 million (2016: HK$38 million). The fair values at 31 March 2017 and 31 March 2016 have been arrived at based on valuations carried out by Asset Appraisal Limited, independent valuer not connected with the Group.

At 31 March 2016 and 31 March 2017, the fair value was determined based on comparison method whereby comparison based on prices information of comparable properties is obtained. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values and was classified as Level 3 of the fair value hierarchy.

The major inputs used in the fair value measurement of the Company's investment properties as at 31 March 2017 and 31 March 2016 are set out below:

| Valuation technique and key input | Unobservable inputs | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|
| Valuation technique: Comparison method; Key input: Market unit rate | Market unit rate, taking into account the size, character and location, between the investment properties and the comparables, ranging from HK$7,428 per sq.ft. to HK$8,693 per sq.ft. (2016: HK$8,360 per sq.ft. to HK$8,719 per sq.ft.) | The higher the market unit rate, the higher the fair value | A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. |

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 17. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 and 31 March 2016 are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Carrying amount HK$ million** | **Level 3 fair value HK$ million** | Carrying amount HK$ million | Level 3 fair value HK$ million |
| Completed investment properties located in Hong Kong | **5** | **39** | 5 | 38 |

## 18. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

| | HK$ million |
|---|---|
| At 1 April 2015 | 564 |
| Additions | 172 |
| Acquisition of subsidiaries *(notes 45(d))* | 46 |
| Released during the year | (19) |
| Exchange realignment | (26) |
| At 31 March 2016 | 737 |
| Additions | 16 |
| Acquisition of subsidiaries *(notes 45(a))* | 162 |
| Released during the year | (25) |
| Exchange realignment | (43) |
| At 31 March 2017 | 847 |

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Non-current assets | **818** | 718 |
| Current assets | **29** | 19 |
| | **847** | 737 |

The Group's prepaid lease payments on land use rights represent the land situated in the PRC and Indonesia.

## 19. GOODWILL

| | **2017** **HK$ million** | 2016 HK$ million |
|---|---|---|
| Arising from: | | |
| – acquisition of Skyworth Digital Co., Ltd ("Skyworth Digital", formerly known as China Resources Jinhua Co., Ltd) *(Note (a))* | **411** | 411 |
| – acquisition of Strong Media Group Limited *(Note (b))* | **95** | 95 |
| – acquisition of Caldero Limited *(Note (c))* | **15** | – |
| | **521** | 506 |

*Notes:*

*For the purposes of impairment testing, goodwill have been allocated to individual CGUs.*

*During the year ended 31 March 2017, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.*

*The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:*

*(a) For the goodwill arising from acquisition of Skyworth Digital for the operation of digital set-top boxes business during the year ended 31 March 2015 with the carrying amount of HK$411 million, the recoverable amount of the CGU has been determined by a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14% (2016: 14%). Cash flows beyond the five-year period are extrapolated with a 3% (2016: 3%) growth rate. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.*

*(b) For the goodwill arising from acquisition of Strong Media Group Limited ("Strong Media") during the year ended 31 March 2016 (detail as set out in note 45(c)) with the carrying amount of HK$95 million, the recoverable amounts of the CGU has been determined by a value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.37% (2016: 11.37%). Cash flows beyond the five-year period are extrapolated with zero growth. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.*

*(c) For the goodwill arising from acquisition of Caldero Limited during the year ended 31 March 2017 (details as set out in note 45(b)) and with the carrying amount of HK$15 million, the recoverable amounts of the CGU has been determined on the basis of value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.02%. Cash flows beyond the five-year period are extrapolated with zero growth. Expected cash inflows/outflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.*

## 20. INTANGIBLE ASSETS

| | **Patent** HK$ million *(Note (a))* | **Trademarks** HK$ million *(Note (b))* | **Total** HK$ million |
|---|---|---|---|
| COST | | | |
| At 1 April 2015 | – | – | – |
| Additions | 7 | – | 7 |
| Acquired on acquisition of subsidiaries *(note 45(c))* | – | 109 | 109 |
| At 31 March 2016 | 7 | 109 | 116 |
| Additions | 4 | – | 4 |
| At 31 March 2017 | 11 | 109 | 120 |
| AMORTISATION | | | |
| At 1 April 2015 | – | – | – |
| Charge for the year | 3 | – | 3 |
| At 31 March 2016 | 3 | – | 3 |
| Charge for the year | 1 | – | 1 |
| At 31 March 2017 | 4 | – | 4 |
| CARRYING VALUES | | | |
| At 31 March 2017 | 7 | 109 | 116 |
| At 31 March 2016 | 4 | 109 | 113 |

*Notes:*

*(a) The patent have finite useful lives and are amortised at 10% to 20% on a straight-line basis.*

*(b) The above trademarks were purchased as part of a business combination during year ended 31 March 2016 (see note 45(c) for details).*

*The trademarks have a legal life ranging from 10 to 21 years but are renewable every upon expiration at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.*

*During the year ended 31 March 2017, the directors of the Company determines that there is no impairment indication on the trademarks with indefinite useful lives.*

*The recoverable amounts of the trademarks with indefinite useful lives has been determined on the basis of value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.37% (2016: 11.37%). Cash flows beyond the five-year period are extrapolated with no growth. Cash flow projections during the budget period are based on the most recent financial budget that cover a five-year period approved by the management. Expected cash inflows/ outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of trademarks to exceed the aggregate recoverable amount of trademarks.*

## 21. INTERESTS IN ASSOCIATES

| | 2017 HK$ million | 2016 HK$ million |
|---|---|---|
| Cost of unlisted investments | **72** | 4 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **7** | 7 |
| | **79** | 11 |

The following set out the particulars of the associates of the Group as at 31 March 2017 and 31 March 2016 which, in the opinion of the directors, principally affected the results or net assets of the Group.

| Name of associates | Form of business structure | Place of registration and operation | Paid up registered capital | Effective interest held by the Group 2017 | Effective interest held by the Group 2016 | Principal business |
|---|---|---|---|---|---|---|
| 江蘇達創電器有限公司 | Equity joint venture | PRC | RMB10,000,000 | **34%** | 34% | Manufacturing and sales of consumer electronic products |
| 北京新七天電子商務技術股份有限公司 | Equity joint venture | PRC | RMB37,000,000 | **49%** | – *(Note (a))* | Providing technological and network promotion services and sales of consumer electronic products |

*Note:*

(a) *The Group held 56% equity interest in 北京新七天電子商務技術股份有限公司 ("New Seven Days") during the year ended 31 March 2016 as a subsidiary. During the year ended 31 March 2017, the Group disposed of 7% equity interest in New Seven Days and thereafter, New seven days became an associate of the Company. For details, please refer to note 45(e).*

All of these associates are accounted for using the equity method in these consolidated financial statements.

### *Aggregate information of associates that are not individually material*

| | 2017 HK$ million | 2016 HK$ million |
|---|---|---|
| The Group's share of profit and other comprehensive income for the year | **–** | 3 |
| Aggregate carrying amount of the Group's interests in these associates | **79** | 11 |

## 22. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Cost of unlisted investments | **80** | 80 |
| Share of post-acquisition losses and other comprehensive expense, net of dividends received | **(35)** | (31) |
| Exchange realignment | **(2)** | – |
| | **43** | 49 |

The joint ventures are accounted for using the equity method in these consolidated financial statements.

### *Aggregate information of joint ventures that are not individually material*

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| The Group's share of (loss) profit and other comprehensive (expense) income for the year | **(4)** | 4 |
| Dividend received from a joint venture by the Group | **–** | 7 |

## 23. INVESTMENTS IN DEBT SECURITIES

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Debt securities | | |
| – in the PRC | **746** | 3,566 |

The Group's investments in debt securities represent debt securities that carry fixed interest at 5.00% to 12.00% per annum (2016: 4.50% to 12.00% per annum). None of these assets has been past due or impaired at the end of the reporting period. The maturity profile of the above debt securities categorised by the remaining period from the end of the reporting period to the contractual maturity date is as follows:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Remaining maturity: | | |
| Less than 3 months | **435** | 380 |
| 3 months to 1 year | **311** | 2,484 |
| 1 to 2 years | **–** | 702 |
| | **746** | 3,566 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **–** | 702 |
| Current assets | **746** | 2,864 |
| | **746** | 3,566 |

## 24. AVAILABLE-FOR-SALE INVESTMENTS

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Unlisted equity securities, at cost | | |
| – in Hong Kong | **1** | 1 |
| – in the PRC | **1,166** | 1,260 |
| – in overseas | **27** | 27 |
| Less: Impairment loss recognised | **(74)** | (75) |
| | **1,120** | 1,213 |
| Listed equity securities | | |
| – in Hong Kong, at fair values | **53** | 41 |
| – in the PRC, at fair values | **84** | – |
| | **137** | 41 |
| Other financial instruments, at fair value | | |
| – in the PRC | **1,063** | 1,042 |
| | **2,320** | 2,296 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **1,268** | 1,254 |
| Current assets | **1,052** | 1,042 |
| | **2,320** | 2,296 |

Other financial instruments represent unlisted investment products entered by the Group with banks, financial institutions and fund companies in the PRC, in which their returns are linked to the underlying investment portfolio. The directors considered the amounts included under current assets will be redeemable or matured within one year from the end of the reporting period.

The unlisted equity securities are stated at cost less any impairment loss because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of a listed equity security with carrying amount of HK$39 million (2016: nil) and certain unlisted equity securities with carrying amount of HK$1,679 million (2016: HK$1,004 million). A gain on disposal of HK$5 million (2016: nil) has been recognised in profit or loss for the current year.

During the year, the directors conducted a review of the recoverable amounts of the Group's available-for-sale investments at the end of the reporting period and determined that full impairment loss of HK$4 million (2016: HK$20 million) is required to be made in respect of certain available-for-sale investments.

## 25. LOAN RECEIVABLES

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Fixed-rate loan receivables, secured | **2,667** | 1,334 |
| Analysed for reporting purpose as | | |
| Non-current assets | **32** | 245 |
| Current assets | **2,635** | 1,089 |
| | **2,667** | 1,334 |

Included in the carrying amount of loan receivables as at 31 March 2017 is accumulated impairment loss of HK$72 million (2016: nil) in which there is objective evidence that the counterparties may have significant financial difficulty.

As at 31 March 2017, the carrying amount of the loan receivables which have been pledged as security for the financial liabilities on loan receivables discounted with recourse is HK$228 million (2016: nil).

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Fixed-rate loan receivables: | | |
| Within one year | **2,635** | 1,089 |
| In more than one year but not more than two years | **29** | 240 |
| In more than two years but not more than five years | **3** | 5 |
| | **2,667** | 1,334 |

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

| | **2017** | 2016 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate loan receivables | **4.30% to 11.50%** | 5.00% to 13.00% |

## 26. FINANCE LEASE RECEIVABLES

During the year ended 31 March 2017, the Group entered finance lease contacts with principal amount of approximately RMB142 million (2016: RMB735 million) (equivalent to approximately HK$160 million (2016: HK$881 million) to lease out certain plant and machinery of the Group. All interest rate inherent in the lease are fixed at the contract date over the lease terms.

The carrying amounts of the Group's outstanding finance lease receivables at the end of the reporting period are as follows:

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Non-current assets | **68** | 146 |
| Current assets | **91** | 482 |
| | **159** | 628 |

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2017**<br>**HK$ million** | 2016<br>HK$ million | **2017**<br>**HK$ million** | 2016<br>HK$ million |
| Finance lease receivables comprise: | | | | |
| Within one year | **103** | 505 | **91** | 482 |
| In more than one year but not more than two years | **69** | 171 | **68** | 146 |
| | **172** | 676 | **159** | 628 |
| Less: Unearned finance income | **(13)** | (48) | **N/A** | N/A |
| Present value of minimum lease payment receivables | **159** | 628 | **159** | 628 |

Effective interest rate of the above finance lease is 9.07% (2016: 10.33%) per annum.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance leases, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

## 27. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

| | Accelerated tax depreciation HK$ million | Accrued sales rebate HK$ million | Tax losses HK$ million *(Note (a))* | Allowance on inventories HK$ million | Undistributed earnings of PRC subsidiaries HK$ million *(Note (b))* | Fair value gain on available-for-sale investments HK$ million | Fair value adjustment in business combination HK$ million | Others HK$ million *(Note (c))* | Total HK$ million |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2015 | (1) | – | (5) | (54) | 75 | – | – | (59) | (44) |
| (Credit) charge to profit or loss | (1) | (111) | 5 | 17 | – | – | – | (46) | (136) |
| Exchange realignment | – | 1 | – | 3 | – | – | – | 6 | 10 |
| At 31 March 2016 | (2) | (110) | – | (34) | 75 | – | – | (99) | (170) |
| Acquisition of a subsidiary | – | – | – | – | – | – | 45 | – | 45 |
| (Credit) charge to profit or loss | (6) | 8 | – | (22) | (12) | – | – | (23) | (55) |
| Charge to other comprehensive income | – | – | – | – | – | 16 | – | – | 16 |
| Exchange realignment | – | 6 | – | 3 | – | – | – | 6 | 15 |
| At 31 March 2017 | (8) | (96) | – | (53) | 63 | 16 | 45 | (116) | (149) |

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Deferred tax assets | **(312)** | (304) |
| Deferred tax liabilities | **163** | 134 |
| | **(149)** | (170) |

## 27. DEFERRED TAXATION (Continued)

*Notes:*

*(a)* *At the end of the reporting period, the Group has unutilised tax losses of HK$1,715 million (2016: HK$1,214 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining unutilised tax losses of HK$1,715 million (2016: HK$1,214 million) due to the unpredictability of future profit streams.*

*Unutilised tax losses for which no deferred tax assets is recognised will expire as follows:*

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| 2017 | – | 95 |
| 2018 | 89 | 90 |
| 2019 | 99 | 106 |
| 2020 | 246 | 258 |
| 2021 | 255 | 283 |
| 2022 | 556 | – |
| Carried forward indefinitely | 470 | 382 |
| | 1,715 | 1,214 |

*(b)* *Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of HK$64 million (2016: HK$74 million) has not been provided for in the consolidated financial statements in respect of temporary differences attributable to certain accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.*

*(c)* *Amounts mainly represent deductible temporary difference from the unrealised profit arising from intragroup transactions, and deductible temporary difference arising from government grants not yet recognised in profit or loss whilst the relevant tax charge had already been paid upon receipt of the government grants.*

## 28. INVENTORIES

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Raw materials | **2,428** | 1,587 |
| Work in progress | **360** | 398 |
| Finished goods | **3,878** | 3,509 |
| | **6,666** | 5,494 |

## 29. STOCK OF PROPERTIES

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Stock of properties: | | |
| Under development | **1,013** | 444 |
| Completed | **35** | 319 |
| | **1,048** | 763 |

Included in the properties for sales under development are amounts of HK$781 million (2016: HK$444 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of HK$387 million (2016: HK$132 million) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 34.

## 30. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Unlisted securities, at fair value | | |
| – Investment fund | **–** | 15 |

## 31. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Within 30 days | **2,320** | 2,160 |
| 31 to 60 days | **930** | 698 |
| 61 to 90 days | **684** | 554 |
| 91 to 365 days | **1,253** | 1,503 |
| Over 365 days | **484** | 375 |
| Trade receivables | **5,671** | 5,290 |
| Prepayment on acquisition of land for property development | **–** | 459 |
| Purchase deposits paid for materials | **275** | 183 |
| Receivables for disposal of a subsidiary *(note 45(e))* | **10** | – |
| VAT receivables | **536** | 641 |
| Other deposits paid, prepayments and other receivables | **944** | 874 |
| | **7,436** | 7,447 |
| Less: Amount due after one year under non-current assets | **(10)** | – |
| | **7,426** | 7,447 |

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,528 million (2016: HK$1,781 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 31. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

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

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

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

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

Movements in the allowance for doubtful debts is as follows:

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

## 32. BILLS RECEIVABLE

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

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

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

The carrying values of the above bills discounted to banks with recourse continue to be recognised as assets in the consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. Accordingly, the liabilities associated with such bills, mainly borrowings as disclosed in note 39, are recognised in the consolidated financial statements as well.

The maturity dates of bills discounted to banks with recourse are within six months at the end of the reporting period.

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

## 33. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.01% to 2.30% per annum (2016: 0.01% to 2.30% per annum).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.35% to 2.30% per annum (2016: 0.35% to 2.30% per annum).

Restricted bank deposits represent reserve deposits a finance company of the Group placed with The People's Bank of China (the "PBOC"). The balances of the reserve deposits were calculated at certain percentage of qualified deposits made from customers to the finance company of the Group as determined by the PBOC against unexpected events such as unusually large net withdrawal by customers. These reserve deposits are required by local regulation and not available for the Group's daily operations.

## 34. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES

### (a) *Trade and other payables*

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

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Within 30 days | **2,763** | 2,671 |
| 31 to 60 days | **1,059** | 1,015 |
| 61 to 90 days | **719** | 829 |
| 91 days or over | **306** | 512 |
| Trade payables | **4,847** | 5,027 |
| Accruals and other payables | **1,090** | 1,005 |
| Accrued staff costs | **868** | 974 |
| Accrued selling and distribution expenses | **98** | 91 |
| Customer deposits *(Note)* | **551** | 25 |
| Deposits received for sales of goods | **1,130** | 1,321 |
| Deposits received for sales of properties | **387** | 132 |
| Membership fee received | **214** | 220 |
| Other deposits received | **938** | 731 |
| Payables for acquisition of subsidiaries *(note 45)* | **68** | 123 |
| Payables for purchase of property, plant and equipment | **34** | 49 |
| Sales rebate payable | **599** | 731 |
| VAT payable | **97** | 44 |
| | **10,921** | 10,473 |
| Less: Amount due after one year under non-current liabilities | **–** | (54) |
| | **10,921** | 10,419 |

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

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

## 34. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES (Continued)

### (b) Other financial liabilities

During the year, Shenzhen Chuangwei-RGB Electronics Co., Ltd ("RGB"), an indirect non-wholly owned subsidiary of the Company, entered into an agreement with 北京愛奇藝科技有限公司 ("iQiYi"), a third party not connected to the Group. Pursuant to the agreement, Shenzhen Coocaa Network Technology Company Limited ("Shenzhen Coocaa"), an indirect non-wholly owned subsidiary of the Company, received capital injection of RMB100 million (equivalent to HK$113 million) from iQiYi on 2 December 2016.

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

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

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

## 35. BILLS PAYABLE

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

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

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

## 36. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Derivative financial instruments are analysed as: | | |
| Interest rate swap contracts *(Note (a))* | **7** | – |

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Loss from changes in fair value of derivative financial instruments: | | |
| Interest rate swap contracts *(Note (a))* | **(7)** | – |
| Foreign currency forward contracts *(Note (b))* | **–** | (1) |
| | **(7)** | (1) |

**Note (a):** **Interest rate swap contracts**

During the year ended 31 March 2017, the Group entered into interest rate swap contracts with banks, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates in relation to its bank borrowings denominated in Euro ("EUR").

The interest rate swap contracts with notional amount ranging from EUR80 million to EUR180 million has fixed interest payments in EUR ranging from 2.29% to 2.35% per annum and floating interest receipts in EUR ranging from 2.3% to 2.5% plus 1-month Euro Interbank Offered Rate ("EURIBOR") per annum for periods up to August and December 2018.

As at 31 March 2017, the fair value of Group's interest rate swap contract was estimated to be a liability of HK$7 million (2016: nil). The amount was determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments. During the year ended 31 March 2017, a loss arising from changes in fair value of the interest rate swap contract of HK$7 million (2016: nil) has been recognised in profit or loss.

**Note (b):** **Foreign currency forward contracts**

In previous years, the Group entered into foreign currency forward contracts with an established commercial bank in the Hong Kong to purchase RMB in US$ at predetermined forward rates.

During the year ended 31 March 2016, loss of HK$1 million in fair value of the foreign currency forward contracts had been recognised in profit or loss upon maturity of foreign currency forward contracts.

## 37. PROVISION FOR WARRANTY

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Balance at 1 April | **233** | 231 |
| Additional provision in respect of current year's sales | **301** | 261 |
| Unused amount reversed | **–** | (31) |
| Utilised | **(284)** | (218) |
| Exchange realignments | **(13)** | (10) |
| Balance at 31 March | **237** | 233 |
| Analysed for reporting purposes as: | | |
| Current liabilities | **164** | 143 |
| Non-current liabilities | **73** | 90 |
| | **237** | 233 |

The Group provides one to five years product warranty to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised by reference to the current defective rate of products sold.

## 38. AMOUNTS DUE FROM/TO ASSOCIATES AND A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts due from associates are unsecured, interest-free and repayable on demand.

The amounts due to associates are trade balances which are unsecured, interest-free and with credit terms of 30 days.

The following are aged analysis of the trade payables with associates presented based on the invoice date at the end of the reporting period:

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Within 30 days | **87** | 35 |

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

## 39. BORROWINGS

| | 2017 HK$ million | 2016 HK$ million |
|---|---|---|
| Borrowings comprise the following: | | |
| Financial liabilities on bills discounted with recourse | **420** | 300 |
| Financial liabilities on loan receivables discounted with recourse | **228** | – |
| Other bank borrowings | **7,237** | 7,805 |
| Other borrowings | **107** | – |
| | **7,992** | 8,105 |
| Secured | **1,188** | 1,445 |
| Unsecured | **6,804** | 6,660 |
| | **7,992** | 8,105 |
| Carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but are repayable based on scheduled repayment dates set out in the loan agreements: | | |
| Within one year | **84** | 2 |
| More than one year but not exceeding two years | **54** | 2 |
| More than two years but not exceeding five years | **–** | 79 |
| | **138** | 83 |
| Carrying amount of other borrowings repayable based on scheduled repayment dates set out in the loan agreements: | | |
| Within one year | **4,895** | 4,867 |
| More than one year but not more than two years | **1,836** | 613 |
| More than two years but not exceeding five years | **628** | 2,461 |
| Over five years | **495** | 81 |
| | **7,854** | 8,022 |
| | **7,992** | 8,105 |
| Less: Amounts due within one year shown under current liabilities | **(4,979)** | (4,950) |
| Amounts shown under non-current liabilities | **3,013** | 3,155 |

Included in the balance as at 31 March 2017 are fixed-rate borrowings of HK$1,388 million (2016: HK$1,679 million) which carry interest at rates ranging from 1.10% to 12.00% per annum (2016: 0.50% to 5.23% per annum).

All other borrowings are carried interest at variable market interest rates, which are based on EURIBOR, London Interbank Offered Rate ("LIBOR") or People's Bank of China ("PBOC") lending rate plus a specific margin, ranging from 1.20% to 12.81% per annum (2016: 0.78% to 6.46% per annum).

As at the end of the reporting period, the Group had foreign currencies denominated borrowings of US$23 million (equivalent to HK$179 million) (2016: US$42 million (equivalent to HK$322 million)) and EUR281 million (equivalent to HK$2,337 million) (2016: EUR302 million (equivalent to HK$2,653 million)). All other borrowings are denominated in the respective functional currencies of the group entities.

## 40. DEFERRED INCOME

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Deferred income | **973** | 873 |
| Less: Amount to be recognised as income within one year included in current liabilities | **(247)** | (247) |
| Amount to be recognised as income after one year | **726** | 626 |

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology and relates to certain current assets. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities. The policy has resulted in a credit to profit or loss in the current year of HK$358 million (2016: HK$419 million).

## 41. SHARE CAPITAL

| | Number of shares | Share capital<br>HK$ million |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1 April 2015, 31 March 2016 and 31 March 2017 | 10,000,000,000 | 1,000 |
| Issued and fully paid: | | |
| At 1 April 2015 | 2,847,554,532 | 285 |
| Issue of shares upon exercise of share options | 16,440,000 | 2 |
| Issue of shares under scrip dividend scheme | 76,038,856 | 8 |
| At 31 March 2016 | 2,940,033,388 | 295 |
| Issue of shares upon exercise of share options | 18,470,000 | 2 |
| Issue of shares under scrip dividend scheme | 83,654,017 | 8 |
| At 31 March 2017 | 3,042,157,405 | 305 |

The new shares rank pari passu with the then existing shares in all respects.

Details of the exercise of share options during the years ended 31 March 2017 and 31 March 2016 are set out in note 43.

## 42. TRANSFERRED FINANCIAL ASSETS

The following were the Group's bills receivable and loan receivables, that were transferred to banks and financial institutions by discounting those receivables on a full recourse basis. For certain bills receivable and loan receivables that were discounted to banks and financial institutions on a full recourse basis but the substantial risks and rewards of the ownership of the bills receivable and loan receivables have not been transferred taking into account the credit quality of the issuing counterparties, the Group continues to recognise the full carrying amount of those receivables and has recognised the associated liabilities as borrowings as disclosed in note 39.

These bills receivable and loan receivables and associated liabilities are carried at amortised cost in the Group's consolidated statement of financial position. The directors consider that the carrying amounts of such bills receivable and loan receivables and associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

| | **2017 Bills discounted to banks with recourse HK$ million** | 2016 Bills discounted to banks with recourse HK$ million |
|---|---|---|
| Carrying amount of transferred assets | **420** | 300 |
| Carrying amount of associated liabilities | **(420)** | (300) |
| Net position | **–** | – |

| | **2017 Loan receivables discounted to financial institutions with recourse HK$ million** | 2016 Loan receivables discounted to financial institutions with recourse HK$ million |
|---|---|---|
| Carrying amount of transferred assets | **228** | – |
| Carrying amount of associated liabilities | **(228)** | – |
| Net position | **–** | – |

All the bills receivable discounted to banks have maturity dates of less than six months from the end of the respective reporting period.

HK$28 million of the loan receivables discounted to a financial institution have maturity dates of more than 1 year from the end of the reporting period. The remaining HK$200 million discounted to financial institutions have maturity dates within 1 year from the end of the reporting period.

No gain or loss was recognised at the date of transfer of the assets.

## 43. SHARE OPTIONS

The Company adopted certain share option schemes mainly for the purpose of providing incentives to directors, eligible employees and selected eligible persons. Particulars of the share option schemes are detailed below.

Pursuant to a special resolution passed on 28 August 2002, the Company adopted a share option scheme under which the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employee, whether full time or part time, of any member of the Group (the "2002 Share Option Scheme").

The Company terminated 2002 Share Option Scheme and adopted a new share option scheme ("2008 Share Option Scheme") at its 2008 Annual General Meeting held on 30 September 2008. The principal terms of 2002 Share Option Scheme and 2008 Share Option Scheme are basically the same.

The Company terminated 2008 Share Option Scheme and adopted a new share option scheme ("2014 Share Option Scheme") at its 2014 Annual General Meeting held on 20 August 2014. The principal terms of 2008 Share Option Scheme and 2014 Share Option Scheme are basically the same.

Under each of 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme, options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK$1 per grant. Options may be exercised in portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, lapsed on 28 August 2012 under 2002 Share Option Scheme, on 30 September 2018 under 2008 Share Option Scheme and on 20 August 2024 under 2014 Share Option Scheme.

Each grant of an option to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors, excluding any independent non-executive director who is the grantee of the option.

Under each of 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the aforesaid schemes and any other share option scheme of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of 2002 Share Option Scheme, 2008 Share Option Scheme or 2014 Share Option Scheme or any other share option schemes of the Company, must not in aggregate exceeds 10% of the Company's shares in issue as at the date of adoption of the respective Share Option Scheme or exceed any of the refreshed limit.

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme and any other share option scheme of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of shares available for grant under the share option schemes of the Company is 141,160,500 (2016: 149,630,500) representing approximately 4.64% (2016: 5.09%) of the issued share capital of the Company as at the end of the reporting period.

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017*

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme and 2014 Share Option Scheme during the year ended 31 March 2017:

#### Under 2008 Share Option Scheme

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year *(Note (a))* | Exercised during the year *(Note (b))* | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 6 November 2008 | 0.374 | 6 November 2008 to 5 November 2009 | 6 November 2009 to 30 September 2018 | 315,000 | – | – | – | **315,000** |
| | | 6 November 2008 to 5 November 2010 | 6 November 2010 to 30 September 2018 | 475,000 | – | – | – | **475,000** |
| | | 6 November 2008 to 5 November 2011 | 6 November 2011 to 30 September 2018 | 578,000 | – | – | – | **578,000** |
| | | 6 November 2008 to 5 November 2012 | 6 November 2012 to 30 September 2018 | 1,546,500 | – | – | – | **1,546,500** |
| 26 November 2008 | 0.415 | 26 November 2008 to 25 November 2012 | 26 November 2012 to 30 September 2018 | 24,000 | – | – | – | **24,000** |
| 21 June 2010 | 6.580 | 21 June 2010 to 20 June 2011 | 21 June 2011 to 30 September 2018 | 1,500,000 | – | – | – | **1,500,000** |
| | | 21 June 2010 to 20 June 2012 | 21 June 2012 to 30 September 2018 | 1,500,000 | – | – | – | **1,500,000** |
| | | 21 June 2010 to 20 June 2013 | 21 June 2013 to 30 September 2018 | 1,500,000 | – | – | – | **1,500,000** |
| | | 21 June 2010 to 20 June 2014 | 21 June 2014 to 30 September 2018 | 1,500,000 | – | – | – | **1,500,000** |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 5,758,000 | – | (466,000) | – | **5,292,000** |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 5,788,000 | – | (1,094,000) | – | **4,694,000** |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 7,402,000 | – | (2,076,000) | – | **5,326,000** |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 9,564,000 | – | (3,088,000) | – | **6,476,000** |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 10,000,000 | – | (2,356,000) | – | **7,644,000** |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year *(Note (a))* | Exercised during the year *(Note (b))* | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 16 September 2011 | 4.080 | 16 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 1,000,000 | – | – | – | **1,000,000** |
| | | 16 September 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | **–** |
| | | 16 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | **–** |
| | | 16 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 1,000,000 | – | (1,000,000) | – | **–** |
| | | 16 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 1,000,000 | – | – | – | **1,000,000** |
| 26 September 2011 | 3.310 | 26 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| | | 26 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| | | 26 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| | | 26 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| 31 October 2011 | 4.190 | 31 October 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 60,000 | – | – | – | **60,000** |
| | | 31 October 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 60,000 | – | – | – | **60,000** |
| | | 31 October 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 60,000 | – | – | – | **60,000** |
| | | 31 October 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 60,000 | – | – | – | **60,000** |
| | | 31 October 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 60,000 | – | – | – | **60,000** |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year *(Note (a))* | Exercised during the year *(Note (b))* | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 14 February 2012 | 3.810 | 14 February 2012 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 14 February 2012 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 14 February 2012 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 14 February 2012 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 14 February 2012 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| 29 November 2012 | 4.582 | 29 November 2012 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| | | 29 November 2012 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 120,000 | – | – | – | **120,000** |
| | | 29 November 2012 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 220,000 | – | – | – | **220,000** |
| | | 29 November 2012 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 220,000 | – | – | – | **220,000** |
| | | 29 November 2012 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 220,000 | – | – | – | **220,000** |
| 28 June 2013 | 3.982 | 28 June 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,000,000 | – | (2,000,000) | – | **–** |
| | | 28 June 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,000,000 | – | (2,000,000) | – | **–** |
| | | 28 June 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,000,000 | – | – | – | **2,000,000** |
| | | 28 June 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 2,000,000 | – | – | – | **2,000,000** |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year (Note (a)) | Exercised during the year (Note (b)) | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 29 July 2013 | 3.990 | 29 July 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 160,000 | – | (60,000) | – | **100,000** |
| | | 29 July 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 260,000 | – | (120,000) | – | **140,000** |
| | | 29 July 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 260,000 | – | (120,000) | – | **140,000** |
| | | 29 July 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 260,000 | – | – | – | **260,000** |
| | | 29 July 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 260,000 | – | – | – | **260,000** |
| 9 September 2013 | 4.368 | 9 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 40,000 | – | – | – | **40,000** |
| | | 9 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 240,000 | – | – | – | **240,000** |
| | | 9 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 240,000 | – | – | – | **240,000** |
| | | 9 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 240,000 | – | – | – | **240,000** |
| | | 9 September 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 240,000 | – | – | – | **240,000** |
| 9 September 2013 | 4.368 | 9 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,500,000 | – | – | – | **2,500,000** |
| | | 9 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,500,000 | – | – | – | **2,500,000** |
| | | 9 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,500,000 | – | – | – | **2,500,000** |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| | HK$ | | | | *(Note (a))* | *(Note (b))* | | |
| 19 September 2013 | 4.212 | 19 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 19 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 19 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 19 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| | | 19 September 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 400,000 | – | – | – | **400,000** |
| 24 April 2014 | 4.022 | 24 April 2014 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 266,000 | – | – | – | **266,000** |
| | | 24 April 2014 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 266,000 | – | – | – | **266,000** |
| | | 24 April 2014 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 268,000 | – | – | – | **268,000** |
| 9 July 2014 | 3.870 | 9 July 2014 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 750,000 | – | – | – | **750,000** |
| | | 9 July 2014 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 750,000 | – | – | – | **750,000** |
| | | 9 July 2014 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 750,000 | – | – | – | **750,000** |
| | | 9 July 2014 to 31 July 2018 | 1 August 2018 to 30 September 2018 | 750,000 | – | – | – | **750,000** |
| | | | | 79,630,500 | – | (16,380,000) | – | **63,250,500** |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2017 (Continued)*

Under 2014 Share Option Scheme

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2016 | Granted during the year *(Note (a))* | Exercised during the year *(Note (b))* | Lapsed during the year | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 15 December 2015 | 4.830 | 15 December 2015 to 14 December 2016 | 15 December 2016 to 30 September 2018 | 3,300,000 | – | – | – | **3,300,000** |
| | | 15 December 2015 to 14 December 2017 | 15 December 2017 to 30 September 2018 | 3,300,000 | – | – | – | **3,300,000** |
| | | 15 December 2015 to 30 March 2018 | 31 March 2018 to 30 September 2018 | 3,400,000 | – | – | – | **3,400,000** |
| 22 January 2016 | 4.226 | 22 January 2016 to 31 August 2016 | 1 September 2016 to 20 August 2024 | 17,154,000 | – | (2,090,000) | – | **15,064,000** |
| | | 22 January 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | 17,154,000 | – | – | – | **17,154,000** |
| | | 22 January 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | 25,692,000 | – | – | – | **25,692,000** |
| 8 July 2016 | 6.320 | 8 July 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | – | 2,500,000 | – | – | **2,500,000** |
| | | 8 July 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | – | 2,500,000 | – | – | **2,500,000** |
| | | 8 July 2016 to 31 August 2019 | 1 September 2019 to 20 August 2024 | – | 2,500,000 | – | – | **2,500,000** |
| | | 8 July 2016 to 31 August 2020 | 1 September 2020 to 20 August 2024 | – | 2,500,000 | – | – | **2,500,000** |
| | | | | 70,000,000 | 10,000,000 | (2,090,000) | – | **77,910,000** |
| | | | | 149,630,500 | 10,000,000 | (18,470,000) | – | **141,160,500** |

*Notes:*

(a) *10,000,000 share options were granted under 2014 Share Option Scheme during the year ended 31 March 2017.*

(b) *The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2017 was HK$5.727.*

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016*

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme and 2014 Share Option Scheme during the year ended 31 March 2016:

#### Under 2008 Share Option Scheme

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year *(Note (c))* | Exercised during the year *(Note (d))* | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 6 November 2008 | 0.374 | 6 November 2008 to 5 November 2009 | 6 November 2009 to 30 September 2018 | 365,000 | – | (50,000) | – | 315,000 |
| | | 6 November 2008 to 5 November 2010 | 6 November 2010 to 30 September 2018 | 526,000 | – | (51,000) | – | 475,000 |
| | | 6 November 2008 to 5 November 2011 | 6 November 2011 to 30 September 2018 | 668,500 | – | (90,500) | – | 578,000 |
| | | 6 November 2008 to 5 November 2012 | 6 November 2012 to 30 September 2018 | 1,709,000 | – | (162,500) | – | 1,546,500 |
| 26 November 2008 | 0.415 | 26 November 2008 to 25 November 2012 | 26 November 2012 to 30 September 2018 | 24,000 | – | – | – | 24,000 |
| 21 June 2010 | 6.580 | 21 June 2010 to 20 June 2011 | 21 June 2011 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2012 | 21 June 2012 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2013 | 21 June 2013 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2014 | 21 June 2014 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 9,842,000 | – | (4,084,000) | – | 5,758,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 9,756,000 | – | (3,968,000) | – | 5,788,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 10,000,000 | – | (2,598,000) | – | 7,402,000 |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 10,000,000 | – | (436,000) | – | 9,564,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 10,000,000 | – | – | – | 10,000,000 |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year *(Note (c))* | Exercised during the year *(Note (d))* | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 16 September 2011 | 4.080 | 16 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| 26 September 2011 | 3.310 | 26 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 120,000 | – | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 120,000 | – | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 120,000 | – | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 120,000 | – | – | – | 120,000 |
| 31 October 2011 | 4.190 | 31 October 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 60,000 | – | – | – | 60,000 |
| | | 31 October 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 60,000 | – | – | – | 60,000 |
| | | 31 October 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 60,000 | – | – | – | 60,000 |
| | | 31 October 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 60,000 | – | – | – | 60,000 |
| | | 31 October 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 60,000 | – | – | – | 60,000 |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year *(Note (c))* | Exercised during the year *(Note (d))* | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 14 February 2012 | 3.810 | 14 February 2012 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 14 February 2012 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 14 February 2012 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 14 February 2012 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 14 February 2012 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| 29 November 2012 | 4.582 | 29 November 2012 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 220,000 | – | (100,000) | – | 120,000 |
| | | 29 November 2012 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 220,000 | – | (100,000) | – | 120,000 |
| | | 29 November 2012 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 220,000 | – | – | – | 220,000 |
| | | 29 November 2012 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 220,000 | – | – | – | 220,000 |
| | | 29 November 2012 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 220,000 | – | – | – | 220,000 |
| 28 June 2013 | 3.982 | 28 June 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 2,000,000 | – | (2,000,000) | – | – |
| | | 28 June 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |
| | | 28 June 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |
| | | 28 June 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |
| | | 28 June 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 2,000,000 | – | – | – | 2,000,000 |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016 (Continued)*

#### Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year (Note (c)) | Exercised during the year (Note (d)) | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 29 July 2013 | 3.990 | 29 July 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 260,000 | – | (100,000) | – | 160,000 |
| | | 29 July 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 260,000 | – | – | – | 260,000 |
| | | 29 July 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 260,000 | – | – | – | 260,000 |
| | | 29 July 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 260,000 | – | – | – | 260,000 |
| | | 29 July 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 260,000 | – | – | – | 260,000 |
| 9 September 2013 | 4.368 | 9 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 240,000 | – | (200,000) | – | 40,000 |
| | | 9 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 240,000 | – | – | – | 240,000 |
| | | 9 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 240,000 | – | – | – | 240,000 |
| | | 9 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 240,000 | – | – | – | 240,000 |
| | | 9 September 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 240,000 | – | – | – | 240,000 |
| 9 September 2013 | 4.368 | 9 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 2,500,000 | – | (2,500,000) | – | – |
| | | 9 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |
| | | 9 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |
| | | 9 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 2,500,000 | – | – | – | 2,500,000 |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016 (Continued)*

Under 2008 Share Option Scheme (Continued)

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year *(Note (c))* | Exercised during the year *(Note (d))* | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 19 September 2013 | 4.212 | 19 September 2013 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 19 September 2013 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 19 September 2013 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 19 September 2013 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| | | 19 September 2013 to 31 August 2018 | 1 September 2018 to 30 September 2018 | 400,000 | – | – | – | 400,000 |
| 24 April 2014 | 4.022 | 24 April 2014 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 266,000 | – | – | – | 266,000 |
| | | 24 April 2014 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 266,000 | – | – | – | 266,000 |
| | | 24 April 2014 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 268,000 | – | – | – | 268,000 |
| 9 July 2014 | 3.870 | 9 July 2014 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 August 2017 | 1 September 2017 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | 9 July 2014 to 31 July 2018 | 1 August 2018 to 30 September 2018 | 750,000 | – | – | – | 750,000 |
| | | | | 96,070,500 | – | (16,440,000) | – | 79,630,500 |

## 43. SHARE OPTIONS (Continued)

### *For the year ended 31 March 2016 (Continued)*

Under 2014 Share Option Scheme

| Date of grant | Exercise price HK$ | Vesting period | Exercisable period | Outstanding at 1 April 2015 | Granted during the year *(Note (a))* | Exercised during the year *(Note (b))* | Lapsed during the year | Outstanding at 31 March 2016 |
|---|---|---|---|---|---|---|---|---|
| 15 December 2015 | 4.830 | 15 December 2015 to 14 December 2016 | 15 December 2016 to 30 September 2018 | – | 3,300,000 | – | – | 3,300,000 |
| | | 15 December 2015 to 14 December 2017 | 15 December 2017 to 30 September 2018 | – | 3,300,000 | – | – | 3,300,000 |
| | | 15 December 2015 to 30 March 2018 | 31 March 2018 to 30 September 2018 | – | 3,400,000 | – | – | 3,400,000 |
| 22 January 2016 | 4.226 | 22 January 2016 to 31 August 2016 | 1 September 2016 to 20 August 2024 | – | 17,154,000 | – | – | 17,154,000 |
| | | 22 January 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | – | 17,154,000 | – | – | 17,154,000 |
| | | 22 January 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | – | 25,692,000 | – | – | 25,692,000 |
| | | | | – | 70,000,000 | – | – | 70,000,000 |
| | | | | 96,070,500 | 70,000,000 | (16,440,000) | – | 149,630,500 |

*Notes:*

*(c) 70,000,000 share options were granted under 2014 Share Option Scheme during the year ended 31 March 2016.*

*(d) The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2016 was HK$6.467.*

## 44. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payment* to account for its share options (Note (i)) and share awards (Note (ii)). An amount of share-based payment expenses of HK$21 million (2016: HK$34 million) for share options and HK$29 million (2016: HK$70 million) for share awards has been recognised in the profit or loss in the current year.

**Note (i): Share options**

The particulars of the share option schemes of the Company, and the details of and the movements in share options during the two years ended 31 March 2017 are disclosed in note 43. A summary of which is presented below:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price** | Number of share options | Weighted average exercise price |
| | | **HK$** | | HK$ |
| Outstanding at the beginning of the year | **149,630,500** | **4.313** | 96,070,500 | 4.308 |
| Granted during the year | **10,000,000** | **6.320** | 70,000,000 | 4.312 |
| Exercised during the year | **(18,470,000)** | **4.251** | (16,440,000) | 4.284 |
| Outstanding at the end of the year | **141,160,500** | **4.463** | 149,630,500 | 4.313 |
| Exercisable at the end of the year | **71,326,500** | | 51,126,900 | |

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.727 (2016: HK$6.467). The share options outstanding as at 31 March 2017 have a weighted average remaining contractual life of 2.43 years (2016: 3.16 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2016: HK$0.374 to HK$6.580).

Share option expenses charge to profit or loss are based on valuation determined using the Black-Scholes Model. Share options granted during the year were valued based on the following assumptions:

| Date of grant | Number of share options granted | Vesting period | Exercisable period | Fair value per option | Total fair value of options granted | Closing share price at date of grant | Exercise price | Expected volatility | Dividend yield | Expected interest rate | Risk free rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | HK$ | HK$ | HK$ | % | % | % | |
| 8 July 2016 | 2,500,000 | 8 July 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | 2.5281 | 6,320,173 | 6.32 | 6.32 | 57.86 | 3.07 | 1.5 | 0.75 |
| 8 July 2016 | 2,500,000 | 8 July 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | 2.6654 | 6,663,617 | 6.32 | 6.32 | 57.86 | 3.07 | 1.5 | 0.75 |
| 8 July 2016 | 2,500,000 | 8 July 2016 to 31 August 2019 | 1 September 2019 to 20 August 2024 | 2.7578 | 6,894,536 | 6.32 | 6.32 | 57.86 | 3.07 | 1.5 | 0.75 |
| 8 July 2016 | 2,500,000 | 8 July 2016 to 31 August 2020 | 1 September 2020 to 20 August 2024 | 2.8096 | 7,024,119 | 6.32 | 6.32 | 57.86 | 3.07 | 1.5 | 0.75 |
| | 10,000,000 | | | | 26,902,445 | | | | | | |

## 44. SHARE-BASED PAYMENTS (Continued)

**Note (i): Share options** (Continued)

Share option granted during the year ended 31 March 2016 were valued based on the following assumptions:

| Date of grant | Number of share options granted | Vesting period | Exercisable period | Fair value per option | Total fair value of options granted | Closing share price at date of grant | Exercise price | Expected volatility | Dividend yield | Expected interest rate | Risk free rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | HK$ | HK$ | HK$ | % | % | % | |
| 15 December 2015 | 3,300,000 | 15 December 2015 to 14 December 2016 | 15 December 2016 to 30 September 2018 | 1.2916 | 4,262,440 | 4.830 | 4.830 | 50.01 | 3.78 | 1.5 | 0.63 |
| 15 December 2015 | 3,300,000 | 15 December 2015 to 14 December 2017 | 15 December 2017 to 30 September 2018 | 1.3140 | 4,336,267 | 4.830 | 4.830 | 50.01 | 3.78 | 1.5 | 0.63 |
| 15 December 2015 | 3,400,000 | 15 December 2015 to 30 March 2018 | 31 March 2018 to 30 September 2018 | 1.3062 | 4,441,100 | 4.830 | 4.830 | 50.01 | 3.78 | 1.5 | 0.63 |
| | 10,000,000 | | | | 13,039,807 | | | | | | |
| 22 January 2016 | 17,154,000 | 22 January 2016 to 31 August 2016 | 1 September 2016 to 20 August 2024 | 1.5709 | 26,946,392 | 4.226 | 4.226 | 58.40 | 4.33 | 1.48 | 1.62 |
| 22 January 2016 | 17,154,000 | 22 January 2016 to 31 August 2017 | 1 September 2017 to 20 August 2024 | 1.6754 | 28,739,049 | 4.226 | 4.226 | 58.40 | 4.33 | 1.48 | 1.62 |
| 22 January 2016 | 25,692,000 | 22 January 2016 to 31 August 2018 | 1 September 2018 to 20 August 2024 | 1.7391 | 44,681,177 | 4.226 | 4.226 | 58.40 | 4.33 | 1.48 | 1.62 |
| | 60,000,000 | | | | 100,366,618 | | | | | | |
| | 70,000,000 | | | | 113,406,425 | | | | | | |

Expected volatility was determined by using the historical volatility of the Company's share price over previous years. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised in the total expense of HK$21 million (2016: HK$34 million) for the year in relation to share options granted by the Company.

## 44. SHARE-BASED PAYMENTS (Continued)

**Note (ii): Share awards**

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest.

During the year ended 31 March 2016, a total of 10,312,000 shares in the Company have been awarded to certain directors and employees of the Company at no consideration.

Besides, a total of 11,316,000 (2016: 11,672,000) awarded shares were vested and allotted.

| Vesting dates | Outstanding at 1 April 2015 | Awarded | Movement during the year Allotted | Lapsed | Outstanding at 31 March 2016 | Movement during the year Allotted | Lapsed | Outstanding at 31 March 2017 |
|---|---|---|---|---|---|---|---|---|
| 31 August 2015 | 9,266,000 | – | (8,694,000) | (572,000) | – | – | – | **–** |
| 31 December 2015 | – | 3,036,000 | (2,978,000) | (58,000) | – | – | – | **–** |
| 31 August 2016 | 9,266,000 | – | – | (572,000) | 8,694,000 | (8,442,000) | (252,000) | **–** |
| 31 December 2016 | – | 3,036,000 | – | (58,000) | 2,978,000 | (2,874,000) | (104,000) | **–** |
| 31 August 2017 | 9,304,000 | – | – | (574,000) | 8,730,000 | – | (254,000) | **8,476,000** |
| 31 December 2017 | – | 4,240,000 | – | (110,000) | 4,130,000 | – | (162,000) | **3,968,000** |
| | 27,836,000 | 10,312,000 | (11,672,000) | (1,944,000) | 24,532,000 | (11,316,000) | (772,000) | **12,444,000** |
| Weighted average fair value | HK$3.43 | HK$6.22 | HK$4.59 | HK$3.52 | HK$4.19 | HK$4.48 | HK$4.33 | **HK$4.19** |

During the year ended 31 March 2017, 1,500,000 (2016: 38,646,000) shares of the Company were acquired at a total cost of HK$7 million (2016: HK$184 million) for this scheme which recognised and accumulated in equity under the heading of "shares held for share award scheme".

The Group recognised in the total expense of HK$29 million (2016: HK$70 million) for the year in relation to share awards granted by the Company.

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY

### *(a) Acquisition of Toshiba Indonesia*

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

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

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

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

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

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### (a) Acquisition of Toshiba Indonesia (Continued)

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

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

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

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

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

Net cash outflow arising on acquisition is as follows:

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

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### (b) Acquisition of Caldero Limited

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

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

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

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

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

#### Consideration transferred

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

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### *(b) Acquisition of Caldero Limited (Continued)*

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

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

The goodwill arising on the acquisition is as follows:

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

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

Net cash inflow arising on acquisition is as follows:

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### *(c) Acquisition of Strong Media*

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

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

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

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

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

#### Consideration to be transferred

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### (c) Acquisition of Strong Media *(Continued)*

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

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

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

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### (c) Acquisition of Strong Media *(Continued)*

Net cash outflows arising on acquisition is as follows:

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

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

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

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

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### *(d) Acquisition of assets through acquisition of STLG*

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

The net assets acquired in the transaction were as follows:

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

### *(e) Disposal of New Seven Days*

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

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

| | HK$ million |
|---|---|
| Consideration receivables due after one year | 10 |

## 45. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

### *(e) Disposal of New Seven Days (Continued)*

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

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

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

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

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

Net cash outflow arising on disposal is as follows:

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

## 46. PLEDGE OF ASSETS

At 31 March 2017, the Group's borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights, and leasehold land and buildings with carrying value of HK$80 million (2016: HK$190 million) and HK$397 million (2016: HK$96 million) respectively;

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

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

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

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

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

## 47. OPERATING LEASE ARRANGEMENTS

### *The Group as lessee*

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented land and buildings which fall due as follows:

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Within one year | **61** | 54 |
| In the second to fifth year inclusive | **88** | 101 |
| Over five years | **28** | 17 |
| | **177** | 172 |

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to six years and rentals are fixed over the term of the relevant leases.

## 47. OPERATING LEASE ARRANGEMENTS (Continued)

### *The Group as lessor*

During the year, the Group earned rental income of HK$290 million (2016: HK$259 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Within one year | **261** | 219 |
| In the second to fifth year inclusive | **413** | 300 |
| Over five years | **46** | 40 |
| | **720** | 559 |

## 48. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Contracted but not provided for, in respect of: | | |
| Purchase of property, plant and equipment | **152** | 33 |
| Factory buildings and office premises under development | **592** | 636 |
| | **744** | 669 |

## 49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes borrowings disclosed in note 39, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

## 50. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables at amortised cost (including cash and cash equivalents) | **20,953** | 23,353 |
| Available-for-sale financial assets | **2,320** | 2,296 |
| Held-for-trading investments | **–** | 15 |
| **Financial liabilities** | | |
| Liabilities at amortised cost | **22,036** | 21,489 |
| Derivative financial instruments | **7** | – |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include investments in debt securities, available-for-sale investments, loan receivables, finance lease receivables, held-for-trading investments, trade and other receivables, bills receivable, amounts due from associates, pledged bank deposits, restricted bank balances, bank balances and cash, trade and other payables, bills payable, derivative financial instruments, amounts due from (to) associates, amount due to a non-controlling shareholder of a subsidiary, borrowings and other financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate, interest rate and other price.

## 50. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

***Currency risk***

The Group's sales in the PRC represent over 71% (2016: 78%) of the Group's total turnover. All of these sales transactions are conducted and denominated in RMB. The Group needs to convert revenue in RMB into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although RMB is not a freely convertible currency, the Group did not experience any difficulties in such conversion to meet operational requirements.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **HK$ million** | HK$ million | **HK$ million** | HK$ million |
| United States dollars ("US$") against RMB | **1,395** | 1,256 | **246** | 612 |
| HK$ against RMB | **11** | 8 | **309** | 94 |
| RMB against HK$ | **158** | 31 | **–** | – |
| EUR against HK$ | **13** | 10 | **2,298** | 2,660 |

*Currency risk sensitivity analysis*

The directors of the Company considered that the Group's exposure to HK$ against RMB is limited. Accordingly, no sensitivity to fluctuation in HK$ against RMB is presented.

The Group therefore exposes to fluctuations in US$ against RMB and EUR against HK$. The following table only details the Group's sensitivity to a 5% increase and decrease in US$ against RMB and EUR against HK$. 5% is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes trade and other receivables, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, as well as borrowings. A (negative) positive number below indicates (a decrease) an increase in profit for the year where US$ weaken 5% against RMB or EUR weaken 5% against HK$. For a 5% strengthening of US$ against RMB or EUR against HK$, there would be an equal and opposite impact on the profit for the year.

| | **2017** | 2016 |
|---|---|---|
| | **HK$ million** | HK$ million |
| **Profit for the year** | | |
| US$ against RMB | **(49)** | (27) |
| EUR against HK$ | **95** | 111 |

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and liabilities, as the exposure at the end of the reporting period does not represent the exposure during the year.

## 50. FINANCIAL INSTRUMENTS (Continued)

### *(b) Financial risk management objectives and policies (Continued)*

#### Market risk (Continued)

***Interest rate risk***

The Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, restricted bank deposits, bank balances and borrowings are subject to floating interest rates (see note 39 for details of the borrowings). It is the Group's policy to keep majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the need arise.

The Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see note 39 for details of borrowings).

The management considered that the exposure to cash flow interest rate risk in relation to pledged bank deposits, restricted bank deposits, and bank balances is minimal, accordingly, no sensitivity analysis is presented for both years.

The Group's cash flow interest rate risk is mainly related to the fluctuation of Euro Interbank Offered Rate, PBOC lending rate and LIBOR against the Group's borrowings.

*Interest rate risk sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to floating interest rates for borrowings at the end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year. If interest rates on interest bearing borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year would decrease/increase by approximately HK$28 million (2016: HK$27 million).

***Other price risk***

The Group is exposed to other price risk through its investments in listed and unlisted equity securities, other financial instruments and unlisted investment fund (as disclosed in notes 24 and 30). In addition, the Group has appointed the management to monitor the price risk and will consider hedging the risk exposure should the need arise.

## 50. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

***Other price risk (Continued)***

*Price risk sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower:

- post-tax profit for the year ended 31 March 2017 would increase/decrease by nil/nil (2016: HK$2 million/HK$2 million) as a result of the changes in fair value of held-for-trading investments which have been impaired; and

- investment valuation reserve would increase/decrease by HK$11 million/HK$11 million (2016: HK$4 million/HK$4 million) for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to available-for-sale investments and held-for-trading investments has not changed significantly from the prior year.

#### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts, including to secure a third party guarantee and to enter into export credit insurance contracts. In addition, the Group reviews the recoverable amount of debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on bills received from customers, the Group will only accept bills issued by certain licensed banks with high credit ratings. Before accepting any bills from customers, the Group will verify the validity of each bill. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

The pledged bank deposits, restricted bank deposits and bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 77% (2016: 86%) and 100% (2016: 100%) of the total trade receivables and loan receivable respectively at the end of the reporting period.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers, and industries.

## 50. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. As at 31 March 2017, the Group has available unutilised borrowing facilities of approximately HK$23,368 million (2016: HK$26,547 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows (inflows) on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

***Liquidity and interest risk tables***

| | Weighted average effective interest rate % | Repayable on demand or less than 1 month HK$ million | 1 to 3 months HK$ million | Over 3 months but not more than 1 year HK$ million | 1 to 5 years HK$ million | Over 5 years HK$ million | Total undiscounted cash flows HK$ million | Carrying amount at 31.3.2017 HK$ million |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | | |
| Trade and other payables | – | 3,327 | 4,518 | 371 | – | – | 8,216 | 8,216 |
| Other financial liabilities | 8% | – | – | – | 310 | – | 310 | 230 |
| Bills payable | – | 1,018 | 2,025 | 2,366 | – | – | 5,409 | 5,409 |
| Amounts due to associates | – | 87 | – | – | – | – | 87 | 87 |
| Amounts due to a non-controlling shareholder of a subsidiary | – | 102 | – | – | – | – | 102 | 102 |
| Borrowings – variable rate | 3.67% | 398 | 795 | 2,403 | 2,702 | 518 | 6,816 | 6,604 |
| Borrowings – fixed rate | 3.71% | 103 | 206 | 1,009 | 117 | – | 1,435 | 1,388 |
| | | 5,035 | 7,544 | 6,149 | 3,129 | 518 | 22,375 | 22,036 |
| *Derivatives financial instruments, net* | | | | | | | | |
| Interest rate swap contracts | | – | – | 7 | – | – | 7 | 7 |

## 50. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

***Liquidity and interest risk tables (Continued)***

| | Weighted average effective interest rate % | Repayable on demand or less than 1 month HK$ million | 1 to 3 months HK$ million | Over 3 months but not more than 1 year HK$ million | 1 to 5 years HK$ million | Over 5 years HK$ million | Total undiscounted cash flows HK$ million | Carrying amount at 31.3.2016 HK$ million |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | | |
| Trade and other payables | – | 4,866 | 2,722 | 512 | 54 | – | 8,154 | 8,154 |
| Bills payable | – | 877 | 1,931 | 2,387 | – | – | 5,195 | 5,195 |
| Amounts due to associates | – | 35 | – | – | – | – | 35 | 35 |
| Borrowings – variable rate | 3.80 | 184 | 944 | 2,295 | 3,217 | 100 | 6,740 | 6,426 |
| Borrowings – fixed rate | 1.65 | 731 | 243 | 592 | 130 | – | 1,696 | 1,679 |
| | | 6,693 | 5,840 | 5,786 | 3,401 | 100 | 21,820 | 21,489 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted principal amounts of these borrowings amounted to HK$138 million (2016: HK$83 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$147 million (2016: HK$87 million).

| | | Maturity Analysis – borrowings subject to a repayment on demand clause based on scheduled repayments | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average effective interest rate % | Less than 1 month HK$ million | 1 to 3 months HK$ million | Over 3 months but not more than 1 year HK$ million | 1 to 5 years HK$ million | Total undiscounted cash flows HK$ million | Carrying amount HK$ million |
| 31 March 2017 | **2.74** | **–** | **–** | **–** | **147** | **147** | **138** |
| 31 March 2016 | 3.00 | – | – | 2 | 85 | 87 | 83 |

## 50. FINANCIAL INSTRUMENTS (Continued)

### (c) *Fair value measurements of financial instruments*

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/ financial liabilities | Fair value as at 2017 HK$ million | Fair value as at 2016 HK$ million | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| **Available-for-sale financial assets:** | | | | |
| Listed equity securities | **137** | 41 | Level 1 | Quoted bid prices in an active market |
| Other financial instruments | **1,063** | 1,042 | Level 2 | Quoted bid prices for identical assets in market that are not active |
| | **1,200** | 1,083 | | |
| **Held-for-trading financial assets:** | | | | |
| Unlisted investment fund | **–** | 15 | Level 2 | Quoted bid prices for identical assets in market that are not active |
| **Derivative financial instruments:** | | | | |
| Interest rate swap contracts | **(7)** | – | Level 2 | Discounted cash flow<br><br>Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

There were no transfers between Level 1 and 2 during the year.

## 50. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial instruments (Continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the above financial assets and financial liabilities (categorised with Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 51. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2016 final dividend and 2017 interim dividend of HK$251 million (2016: 2015 final dividend of HK$226 million) and HK$175 million (2016: 2016 interim dividend of HK$108 million) respectively. Details are set out in note 14.

## 52. 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.

## 53. RETIREMENT BENEFITS SCHEMES

The employees of the Company's Hong Kong subsidiaries participate in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") or a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at $1,500 per month. The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to profit or loss represent contributions payable to these funds by the Group at rates specified in the rules of these schemes.

## 53. RETIREMENT BENEFITS SCHEMES (Continued)

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The aggregate retirement benefits scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in profit or loss, are as follows:

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Retirement benefit scheme contributions in Hong Kong | **1** | 1 |
| Pension costs in the PRC | **351** | 326 |
| Total retirement benefit scheme contributions | **352** | 327 |

At both 31 March 2017 and 31 March 2016, there were no forfeited contributions available to offset future employers' contributions to the schemes.

## 54. RELATED PARTY TRANSACTIONS

### *Trading transactions*

During the year, the Group has the following transactions with related parties:

#### Joint ventures

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Advertising and promotional expenses paid | **9** | 18 |
| Sales of finished goods | **1** | 27 |
| Repair and maintenance service fee paid | **2** | – |

#### Associates

| | **2017**<br>**HK$ million** | 2016<br>HK$ million |
|---|---|---|
| Interest paid | **2** | – |
| Sales of finished goods | **419** | 459 |

## 54. RELATED PARTY TRANSACTIONS (Continued)

### *Compensation of key management personnel*

The remuneration of directors and other members of key management including chief executive of the Company during the year was as follows:

| | **2017 HK$ million** | 2016 HK$ million |
|---|---|---|
| Short-term benefits | **70** | 155 |
| Post-employment benefits | **1** | 1 |
| Share-based payments | **14** | 32 |
| | **85** | 188 |

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2017 and 31 March 2016 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

| Name of subsidiary | Place of incorporation/ establishment/ operation | Issued and fully paid share capital/paid up registered capital | Effective interest held by the Company *(Note (a))* 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| Skyworth Holdings Limited 創維控股有限公司 | Samoa | Ordinary shares US$1 | **100%** | 100% | Investment holding |
| Skyworth Enterprises Limited 創維實業有限公司 | Samoa | Ordinary shares US$1 | **100%** | 100% | Investment holding |
| Skyworth Investment (Holdings) Limited 創維投資(控股)有限公司 | The British Virgin Islands | Ordinary shares HK$893 Preference shares HK$990 | **100%** | 100% | Investment holding |
| Skyworth TV Holdings Limited 創維電視控股有限公司 | Hong Kong | Ordinary shares HK$30,600,000 Non-voting deferred shares HK$2,500,000 *(Note b)* | **100%** | 100% | Procurement of raw materials and investment holding |
| 深圳創維 – RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd. | PRC *(Note (c))* | Registered capital RMB700,000,000 | **100%** | 100% | Manufacture and sale of consumer electronic products |
| 新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd. | PRC *(Note (d))* | Registered capital US$21,180,000 | **100%** | 100% | Manufacture of consumer electronic products and property holding |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/ establishment/ operation | Issued and fully paid share capital/paid up registered capital | Effective interest held by the Company (Note (a)) 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| 創維電子(內蒙古)有限公司 | PRC *(Note (c))* | Registered capital US$10,000,000 | **100%** | 100% | Manufacture and sale of consumer electronic products |
| 創維平面顯示科技(深圳)有限公司 | PRC *(Note (c))* | Registered capital US$39,500,000 | **100%** | 100% | Manufacture of consumer electronic products and property holding |
| 創維集團有限公司 | PRC *(Note (c))* | Registered capital HK$1,830,000,000 | **100%** | 100% | Investment holding |
| Skyworth Macao Commercial Offshore Company Limited 創維澳門離岸商業服務有限公司 | Macau | Ordinary shares MOP$100,000 | **100%** | 100% | Research and development and trading of consumer electronic products |
| Skyworth Multimedia International Limited 創維多媒體國際有限公司 | Hong Kong | Ordinary shares HK$10,000 | **100%** | 100% | Manufacture and sale of consumer electronic products |
| Skyworth Overseas Development Limited 創維海外發展有限公司 | Hong Kong | Ordinary shares HK$10,000 | **100%** | 100% | Manufacture and sale of consumer electronic products |
| Skyworth Overseas Limited 創維海外有限公司 | Hong Kong | Ordinary shares HK$2 | **100%** | 100% | Trading of consumer electronic products |
| 創維數字股份有限公司 Skyworth Digital Co., Ltd. | PRC *(note (f))* | Registered capital RMB1,034,558,280 | **59.4%** | 58.54% | Investment holding |
| 深圳創維數字技術股份有限公司 Shenzhen Skyworth Digital Technology Co., Ltd. | PRC *(Note (e))* | Registered capital RMB120,000,000 | **59.4%** | 58.54% | Manufacture and sale of consumer electronic products and research and products development |
| 創維液晶器件(深圳)有限公司 | PRC *(Note (d))* | Registered capital HK$25,000,000 | **59.4%** | 70.53% | Manufacture and sale of consumer electronic products and research and products development |
| Skyworth Intellectual Property Holdings Limited | The British Virgin Islands | Ordinary share US$1 | **100%** | 100% | Intellectual property holding |
| Winform Inc. | The British Virgin Islands/ Hong Kong | Ordinary share US$1 | **100%** | 100% | Property holding |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/ establishment/ operation | Issued and fully paid share capital/paid up registered capital | Effective interest held by the Company (Note (a)) 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| Skyworth Moulds Industrial Company Limited | The British Virgin Islands | Ordinary shares US$10 | **100%** | 100% | Investment holding |
| Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司 | Bermuda | Ordinary shares HK$100,000 | **83%** | 83% | Investment holding |
| Skyworth Electronic Appliance Limited 創維電器有限公司 | Hong Kong | Ordinary shares HK$116,392,500 | **75%** | 75% | Investment holding |
| 南京創維家用電器有限公司 | PRC *(Note (d))* | Registered capital US$15,000,000 | **75%** | 75% | Manufacture and sale of consumer electronic products and research and products development |
| 創維集團財務有限公司 | PRC *(Note (d))* | Registered capital RMB1,000,000,000 | **100%** | 100% | Financing |
| 創維創業投資有限公司 | PRC *(Note (d))* | Registered capital RMB100,000,000 | **100%** | 100% | Investment holding |

*Notes:*

(a) *The Company directly holds the entire interest in Skyworth Holdings Limited and Skyworth LCD Holdings Limited. The interests of all other companies are indirectly held by the Company.*

(b) *The non-voting deferred shares practically carry no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.*

(c) *The subsidiaries are sino-foreign equity joint ventures registered in the PRC.*

(d) *The subsidiaries are wholly foreign owned enterprises registered in the PRC.*

(e) *The subsidiary is a joint stock limited company registered in the PRC.*

(f) *The subsidiary is a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange.*

None of the subsidiaries had issued any debt securities outstanding at 31 March 2017 and 31 March 2016 or at any time during the year.

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### *Details of non-wholly owned subsidiaries that have material non-controlling interests*

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

| Name of subsidiary | Place of incorporation/ establishment/ operation | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | | | | **HK$ million** | HK$ million | **HK$ million** | HK$ million |
| Skyworth Digital | PRC | **40.60%** | 41.46% | **194** | 243 | **1,174** | 1,145 |
| Individually immaterial subsidiaries with non-controlling interest | | | | **25** | 114 | **160** | 463 |
| | | | | **219** | 357 | **1,334** | 1,608 |

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### *Skyworth Digital*

| | **2017** | 2016 |
|---|---|---|
| | **HK$ million** | HK$ million |
| Current assets | **6,188** | 6,639 |
| Non-current assets | **1,219** | 1,093 |
| Current liabilities | **(3,656)** | (4,365) |
| Non-current liabilities | **(622)** | (373) |
| | **3,129** | 2,994 |
| Equity attributable to owners of Skyworth Digital | **2,892** | 2,761 |
| Non-controlling interests | **237** | 233 |
| | **3,129** | 2,994 |

## 55. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### *Skyworth Digital (Continued)*

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| Revenue | 7,077 | 6,231 |
| Expenses | (6,592) | (5,641) |
| Profit for the year | 485 | 590 |
| Profit attributable to owners of Skyworth Digital | 473 | 585 |
| Profit attributable to the non-controlling interests | 12 | 5 |
| Profit for the year | 485 | 590 |
| Total comprehensive (expense) income attributable to Skyworth Digital | (825) | 17 |
| Total comprehensive income attributable to the non-controlling interests | 12 | 5 |
| Total comprehensive (expense) income for the year | (813) | 22 |
| Net cash (outflow) inflow from operating activities | (188) | 552 |
| Net cash inflow (outflow) from investing activities | 223 | (1,142) |
| Net cash (outflow) inflow from financing activities | (325) | 442 |
| Net cash outflow | (290) | (148) |

## 56. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, an investor entered into an agreement with Shenzhen Coocaa, RGB and non-controlling shareholders of Shenzhen Coocaa. Pursuant to the agreement, Shenzhen Coocaa received capital injection of RMB300 million in total (equivalent to HK$339 million) from that investor.

## 57. FINANCIAL INFORMATION OF THE COMPANY

The following are the statement of financial position of the Company:

| | 2017<br>HK$ million | 2016<br>HK$ million |
|---|---|---|
| **Non-current Asset** | | |
| Interests in subsidiaries | **6,236** | 6,019 |
| **Current Assets** | | |
| Other receivables | **11** | 9 |
| Amounts due from subsidiaries | **592** | 59 |
| Bank balances and cash | **4** | 4 |
| | **607** | 72 |
| **Current Liabilities** | | |
| Other payables | **46** | 10 |
| Amounts due to subsidiaries | **984** | 871 |
| | **1,030** | 881 |
| **Net Current Liabilities** | **(423)** | (809) |
| **Total Assets less Current Liabilities** | **5,813** | 5,210 |
| **Capital and Reserves** | | |
| Share capital | **305** | 295 |
| Reserves | **5,508** | 4,915 |
| | **5,813** | 5,210 |

## 57. FINANCIAL INFORMATION OF THE COMPANY (Continued)

The followings are the movements in reserves of the Company for the current and prior years:

| | Share premium HK$ million | Share option reserve HK$ million | Share award reserve HK$ million | Shares held for share award scheme HK$ million | Surplus account HK$ million | Exchange reserve HK$ million | Accumulated profits HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2015 | 2,567 | 221 | 37 | (76) | 937 | 305 | 528 | 4,519 |
| Profit for the year | – | – | – | – | – | – | 731 | 731 |
| Exchange differences arising on translation | – | – | – | – | – | (59) | – | (59) |
| Total comprehensive (expense) income for the year | – | – | – | – | – | (59) | 731 | 672 |
| Purchase of shares for unvested shares under the share award scheme of the Company | – | – | – | (184) | – | – | – | (184) |
| Recognition of equity-settled share-based payments | – | 34 | 70 | – | – | – | – | 104 |
| Issue of shares under share option scheme | 102 | (34) | – | – | – | – | – | 68 |
| Issue of shares under scrip dividend scheme | 326 | – | – | – | – | – | – | 326 |
| Dividends recognised as distribution *(note 14)* | – | – | – | – | – | – | (590) | (590) |
| Share vested under share award scheme | – | – | (50) | 54 | – | – | (4) | – |
| Lapse of share awards | – | – | (2) | – | – | – | 2 | – |
| Balance at 31 March 2016 | 2,995 | 221 | 55 | (206) | 937 | 246 | 667 | 4,915 |
| Profit for the year | – | – | – | – | – | – | 839 | 839 |
| Exchange differences arising on translation | – | – | – | – | – | (84) | – | (84) |
| Total comprehensive (expense) income for the year | – | – | – | – | – | (84) | 839 | 755 |
| Purchase of shares for unvested shares under the share award scheme of the Company *(note 44)* | – | – | – | (7) | – | – | – | (7) |
| Recognition of equity-settled share-based payments *(note 44)* | – | 21 | 29 | – | – | – | – | 50 |
| Issue of shares under share option scheme | 114 | (36) | – | – | – | – | – | 78 |
| Issue of shares under scrip dividend scheme | 418 | – | – | – | – | – | – | 418 |
| Dividends recognised as distribution *(note 14)* | – | – | – | – | – | – | (701) | (701) |
| Share vested under share award scheme | – | – | (47) | 49 | – | – | (2) | – |
| Lapse of share awards | – | – | (4) | – | – | – | 4 | – |
| Balance at 31 March 2017 | 3,527 | 206 | 33 | (164) | 937 | 162 | 807 | 5,508 |

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$ million** | HK$ million | HK$ million | HK$ million | HK$ million |
| Revenue | **42,845** | 42,695 | 40,135 | 39,480 | 37,824 |
| Cost of sales | **(34,278)** | (33,332) | (32,112) | (31,851) | (30,418) |
| Gross profit | **8,567** | 9,363 | 8,023 | 7,629 | 7,406 |
| Other income | **1,535** | 1,411 | 1,103 | 973 | 651 |
| Other gains and losses | **200** | (55) | 25 | (149) | (46) |
| Gain on disposal of land and other associated assets | **–** | – | 1,755 | – | – |
| Selling and distribution expenses | **(5,091)** | (4,756) | (4,835) | (4,925) | (4,554) |
| General and administrative expenses | **(2,864)** | (2,581) | (1,736) | (1,645) | (1,388) |
| Finance costs | **(359)** | (239) | (161) | (163) | (133) |
| Share of results of associates | **–** | 3 | 4 | 1 | 3 |
| Share of results of joint ventures | **(4)** | 4 | (2) | (21) | (13) |
| Profit before taxation | **1,984** | 3,150 | 4,176 | 1,700 | 1,926 |
| Income tax expense | **(455)** | (623) | (826) | (267) | (332) |
| Profit for the year | **1,529** | 2,527 | 3,350 | 1,433 | 1,594 |
| Attributable to: | | | | | |
| Owners of the Company | **1,310** | 2,170 | 3,128 | 1,254 | 1,501 |
| Non-controlling interests | **219** | 357 | 222 | 179 | 93 |
| | **1,529** | 2,527 | 3,350 | 1,433 | 1,594 |

## ASSETS AND LIABILITIES

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$ million** | HK$ million | HK$ million | HK$ million | HK$ million |
| Total consolidated assets | **43,059** | 42,060 | 33,322 | 32,144 | 29,063 |
| Total consolidated liabilities | **(26,246)** | (25,360) | (18,119) | (20,796) | (18,827) |
| Net assets | **16,813** | 16,700 | 15,203 | 11,348 | 10,236 |
| Attributable to: | | | | | |
| Owners of the Company | **15,479** | 15,092 | 13,739 | 10,822 | 9,969 |
| Non-controlling interests | **1,334** | 1,608 | 1,464 | 526 | 267 |
| | **16,813** | 16,700 | 15,203 | 11,348 | 10,236 |

# Financial Review

*For the year ended 31 March*

*Amounts expressed in HK$ millions (except for share data)*

| | **2017** | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **OPERATING RESULTS** | | | | | |
| Revenue | **42,845** | 42,695 | 40,135 | 39,480 | 37,824 |
| EBIT | **2,339** | 3,389 | 4,324 | 1,837 | 2,036 |
| Profit attributable to owners of the Company | **1,310** | 2,170 | 3,128 | 1,254 | 1,501 |
| **DATA PER SHARE (HK CENTS)** | | | | | |
| Earnings per share – basic | **44.64** | 75.89 | 110.71 | 44.64 | 54.88 |
| Dividend per share | **14.6** | 24.0 | 24.5 | 15.0 | 18.0 |
| Dividend payout ratio | **33.6%** | 32.4% | 39.2%# | 33.6% | 32.8% |
| **KEY STATISTICS** | | | | | |
| Equity attributable to owners of the Company | **15,479** | 15,092 | 13,739 | 10,822 | 9,969 |
| Working capital | **9,298** | 10,675 | 8,992 | 6,679 | 6,955 |
| Cash position* | **5,105** | 5,516 | 3,740 | 4,595 | 2,949 |
| Borrowings | **7,992** | 8,105 | 2,586 | 5,703 | 5,806 |
| Bills receivable | **6,477** | 7,245 | 7,297 | 10,061 | 9,773 |
| Trade receivables | **5,671** | 5,290 | 5,258 | 4,347 | 3,843 |
| Inventories | **6,666** | 5,494 | 4,342 | 4,188 | 5,109 |
| Depreciation and amortisation | **701** | 661 | 460 | 406 | 311 |
| **KEY RATIOS** | | | | | |
| ROE (%) | **8.5** | 14.4 | 22.8 | 11.6 | 15.1 |
| ROA (%) | **3.0** | 5.2 | 9.4 | 3.9 | 5.2 |
| Debt to equity (%)** | **47.5** | 48.5 | 17.0 | 50.3 | 56.7 |
| Net debt to equity*** | **Net Cash** | Net Cash | Net Cash | Net Cash | Net Cash |
| Current ratio (times) | **1.4** | 1.5 | 1.6 | 1.3 | 1.4 |
| Trade receivable turnover period excluding portion arising from discounted bills receivable (days)**** | **102** | 106 | 120 | 128 | 120 |
| Inventories turnover period (days)**** | **65** | 55 | 49 | 54 | 50 |
| Gross profit margin (%) | **20.0** | 21.9 | 20 | 19.3 | 19.6 |
| EBITDA margin (%) | **7.1** | 9.5 | 11.9 | 5.7 | 6.2 |
| EBIT margin (%) | **5.5** | 7.9 | 10.8 | 4.7 | 5.4 |
| Profits margin (%) | **3.6** | 5.9 | 8.3 | 3.6 | 4.2 |

* *Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash*

** *Borrowings/total equity*

*** *Calculation based on (cash position + bills receivable – borrowings)/total equity*

**** *Calculation based on average inventory; average sum of bills receivable and trade receivables (excluding portion arising from discounted bills receivable)*

\# *Excluding one off gain and including special dividend of HK4.0 cents*

## CALENDAR OF MAJOR IR ACTIVITIES

April 2016 – March 2017

| Time | Events |
|---|---|
| **April 2016** | • Credit Suisse 19th Annual Asian Investment Conference, Hong Kong |
| **May 2016** | • CITIC "New Format of Urbanisation" Corporate Day, Hong Kong<br>• Company Updates on Skyworth Digital Holdings (00751.HK), Skyworth Digital Co. (Digital Set-top Box 000810.SZ) & Coocaa business units arranged by CICC, Shenzhen China |
| **June 2016** | 2015/16 Annual Results Announcement<br>• Analysts Presentation, live webcasting<br>• Press Conference<br>• Post-result Hong Kong roadshow arranged by JP Morgan, CICC and CCBI<br>• CICC "2016 2nd Half Year Investment Strategies Forum", Shanghai China<br>• Haitong International TMT Corporate Day, Hong Kong |
| **July 2016** | • Post annual results Singapore Roadshow arranged by CICC<br>• 2015/16 Annual General Meeting |
| **August 2016** | • J.P. Morgan Asia Yield 1x1 Forum, Tokyo Japan |
| **September 2016** | • J.P. Morgan Asia CEO-CFO Conference, New York United States<br>• Video conference plus small group meeting arranged by Mizuho Securities Asia, Hong Kong<br>• UOB Kay Hian Group Meeting, Hong Kong<br>• UBS Asia Tech Tour, Hong Kong |
| **October 2016** | • CITICS "SZ HK Connect" Forum, Shenzhen, China |
| **November 2016** | 2016/17 Interim Results Announcement<br>• Analysts and media presentation with live webcasting<br>• Post Interim Results Hong Kong roadshow<br>• J.P. Morgan Asia Rising Dragons 1x1 Forum, Hong Kong |
| **December 2016** | • China Tech Tour, arranged by China Merchants Securities (HK), Shenzhen China<br>• HTSC 2016 Investment Forum, Shenzhen China |
| **January 2017** | • UBS Greater China Conference 2017, Shanghai China<br>• Non-deal Roadshow arranged by CICC, Shanghai China |
| **February 2017** | • CICC Investment Strategy Conference, Hong Kong<br>• Post Interim Results Singapore Roadshow arranged by CICC |
| **March 2017** | • Group meeting and non-deal roadshow arranged by Macquarie, Hong Kong<br>• HSBC Technology Day 2017, Hong Kong<br>• Group Luncheon arranged by Citi, Hong Kong<br>• Group meeting arranged by China Merchants Securities, Hong Kong<br>• 2017 BAML Asia Pacific Telecom, Media & Technology Conference, Taipei Taiwan<br>• 20th Credit Suisse Asian Investment Conference, Hong Kong |

# Corporate Information

## BOARD OF DIRECTORS
### Executive Directors
Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi

### Non-executive Director
Mr. Yang Dongwen *(Re-designated as Non-executive Director on 1 April 2017)*

### Independent Non-executive Directors
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Li Ming

## MEMBERS OF COMMITTEES
### Audit Committee
Mr. Cheong Ying Chew, Henry *(Chairperson)*
Mr. Li Weibin
Mr. Li Ming

### Executive Committee
Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Sun Ruikun
Mr. Lam Shing Choi, Eric

### Nomination Committee
Mr. Li Ming *(Chairperson)*
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Ms. Lin Wei Ping

### Remuneration Committee
Mr. Li Weibin *(Chairperson)*
Mr. Cheong Ying Chew, Henry
Mr. Li Ming
Ms. Lin Wei Ping

## COMPANY SECRETARY
Mr. Lam Shing Choi, Eric

## AUDITOR
Deloitte Touche Tohmatsu

## LEGAL ADVISOR
Reed Smith Richards Butler
Michael Li & Co.

## PRINCIPAL BANKERS
Agricultural Bank of China Limited
Bank of China Limited
China Merchants Bank Co., Ltd.
China CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

## REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 1601-04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
Rooms 1712-16
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

## SHARES LISTING
Shares of the Company are listed on the Stock Exchange
Stock Code: 00751

## IMPORTANT INFORMATION FOR 2016/17
### Results Announcement Date
Annual Results: 13 June 2017 (Tuesday)

### Important Details for Final Dividend
### Final Dividend per share
HK5.0 cents, with scrip option

### Closure Period of the Register of Members
From 7 August 2017 (Monday) to 9 August 2017 (Wednesday), both days inclusive

### Scrip Price Fixing Period
From 3 August 2017 (Thursday) to 9 August 2017 (Wednesday), both days inclusive

### Record Date
9 August 2017 (Wednesday)

### Final Dividend Payment Date
Around 20 September 2017 (Wednesday)

## COMPANY WEBSITE
http://www.skyworth.com

| | |
|---|---|
| "Audit Committee" | The audit committee of the Company |
| "Board" | The board of the Company |
| "CG Code" | Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules |
| "CGU" | Cash-generating units |
| "Code of Conduct" | Code of conduct regarding securities transactions by Directors |
| "Company" or "Skyworth" | Skyworth Digital Holdings Limited, a company incorporated in Bermuda |
| "Company Secretary" | The company secretary of the Company |
| "Coocaa Company" | Shenzhen Coocaa Network Technology Company Limited, a company established in the PRC |
| "CSR" | Corporate Social Responsibility |
| "Director(s)" | Director(s) of the Company |
| "EBIT" | Earnings before interest and taxation |
| "EBITDA" | Earnings before interest, taxation, depreciation and amortisation |
| "EIT" | Enterprise Income Tax |
| "ESG" | Environmental, social and governance |
| "EUR" | Europe dollars, the lawful currency of the Eurozone |
| "EURIBOR" | Euro Interbank offered rate |
| "Executive Committee" | The executive committee of the Company |
| "Executive Director(s)" | Executive director(s) of the Company |
| "FVTPL" | Fair value through profit or loss |
| "Group" | The Company together with its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |

# Glossary

| | |
|---|---|
| "HKAS" | Hong Kong Accounting Standard |
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| "HKICPA" | Hong Kong Institute of Certified Public Accountants |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "IA Annual plan" | Internal audit annual plan |
| "IFA" | Internationale Funkausstellung, an electronics exhibition held in Berlin, Germany |
| "Independent Non-Executive Director(s)" | Independent non-executive director(s) of the Company |
| "IRD" | Hong Kong Inland Revenue Department |
| "LAT" | Land appreciation tax |
| "LCD" | Liquid crystal display |
| "LED" | Light emitting diode backlights |
| "LIBOR" | London Interbank Offered Rate |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Macau" | The Macau Special Administrative Region of the PRC |
| "METZ" | METZ-Werke GmbH & Co. KG, a company incorporated in Germany |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "MPF Scheme" | Mandatory Provident Fund Scheme |
| "Nomination Committee" | The nomination committee of the Company |
| "Non-Executive Director(s)" | Non-executive director(s) of the Company |
| "O2O" | Online to offline |

| | |
|---|---|
| "ODM" | Original Design Manufacturer |
| "OEM" | Original Equipment Manufacturer |
| "OLED" | Organic Light Emitting Diode |
| "ORSO Scheme" | Occupational Retirement Scheme |
| "OTT" | Over-the-top |
| "PBOC" | People's Bank of China |
| "PRC" or "China" | The People's Republic of China |
| "Remuneration Committee" | The remuneration committee of the Company |
| "RGB" | Shenzhen Chuangwei-RGB Electronics Co., Ltd, a company established in the PRC |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "ROA" | Return on total assets |
| "ROE" | Return on equity |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share Award Scheme" | Share award scheme approved and adopted by the Board on 24 June 2014 |
| "Skyworth Digital" | Skyworth Digital Co., Ltd, a company established in the PRC |
| "Smart Choice" | Smart Choice Store Company Limited, a company incorporated in Hong Kong |
| "SSDT" | Shenzhen Skyworth Digital Technology Co., Ltd, a company established in the PRC |
| "STLG" | 意法半導體製造（深圳）有限公司, a company established in the PRC |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Strong Media" or "Strong Group" | Strong Media Group Limited, a company incorporated in the British Virgin Islands |

# Glossary

| | |
|---|---|
| "Target Success" | Target Success Group (PTC) Limited, a company incorporated in the British Virgin Islands |
| "TV" | Television |
| "UHD" | Ultra-high definition |
| "US$" | United States dollars, the lawful currency of USA |
| "USA" | The United States of America |
| "VAT" | Value-added-tax |
| "VR" | Visual Reality |
| "2008 Share Option Scheme" | Share option scheme approved and adopted at the annual general meeting held on 30 September 2008 |
| "2014 Share Option Scheme" | Share option scheme approved and adopted at the annual general meeting held on 20 August 2014 |
| "4K Smart TV" | Smart TV with UHD (4K x 2K) panel |
| "%" | Per cent |

Skyworth Digital Holdings Limited
Stock Code : 00751

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Quarry Bay, Hong Kong

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