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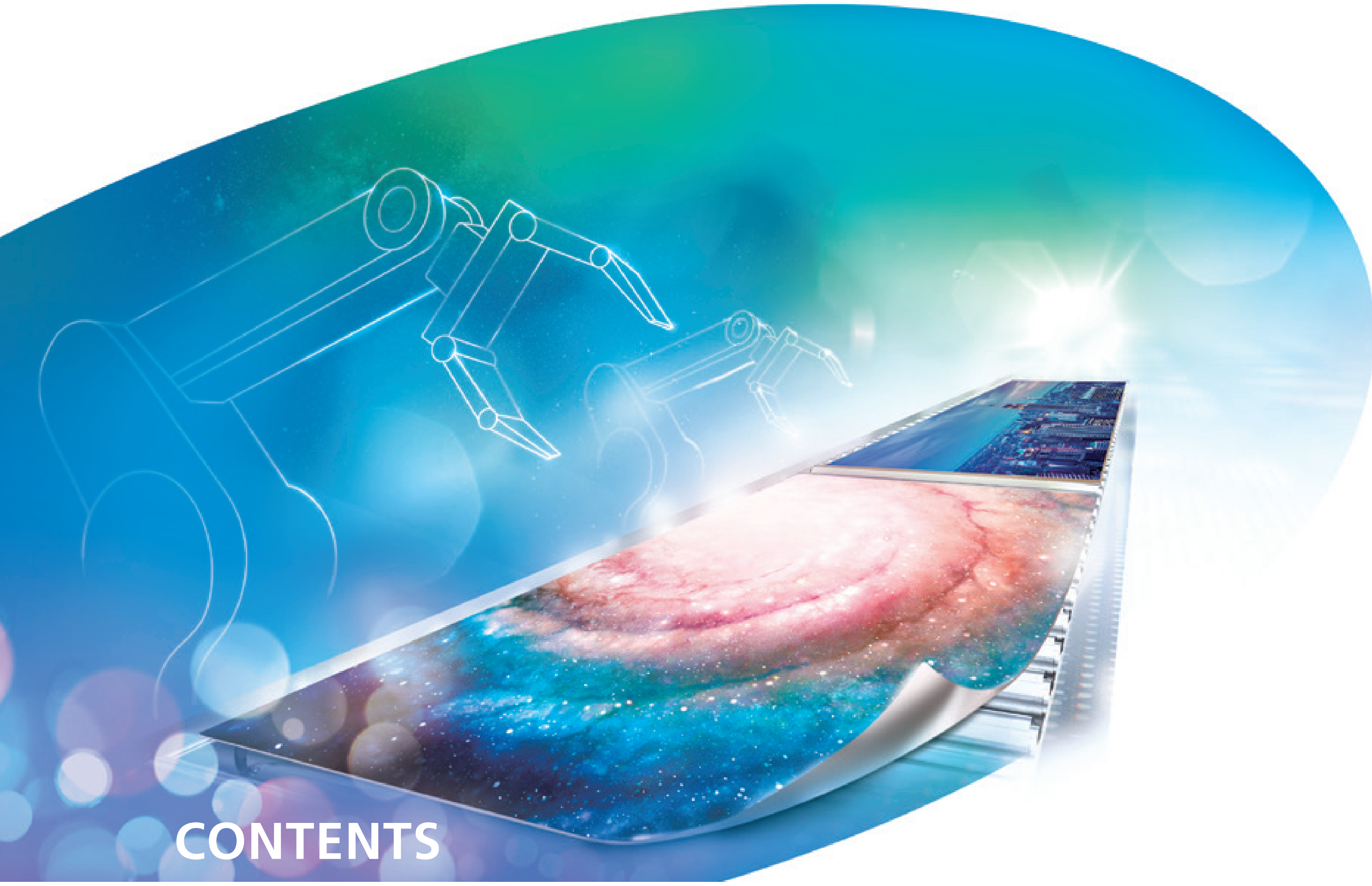
SKYWORTH

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 2017/18

SKYWORTH 創維



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Financial Highlights

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

	2018	2017	Change
OPERATING RESULTS			
Revenue	**46,260**	42,845	+8.0%
EBIT	**1,273**	2,339	–45.6%
EBITDA	**2,076**	3,040	–31.7%
Net profit for the year	**588**	1,529	–61.5%
Profit attributable to owners of the Company	**541**	1,310	–58.7%
FINANCIAL POSITION			
Net cash (used in) from operating activities	**(579)**	1,256	–146.1%
Cash position*	**10,153**	5,105	+98.9%
Borrowings	**9,322**	7,992	+16.6%
Corporate bonds (inclusive of interest)	**2,555**	–	N/A
Equity attributable to owners of the Company	**18,607**	15,479	+20.2%
Working capital	**12,134**	9,298	+30.5%
Bills receivable	**6,750**	6,477	+4.2%
Trade receivables	**8,732**	5,671	+54.0%
Inventories	**6,486**	6,666	–2.7%
KEY RATIOS			
Gross profit margin (%)	**16.7**	20.0	–3.3pp
EBIT margin (%)	**2.8**	5.5	–2.7pp
EBITDA margin (%)	**4.5**	7.1	–2.6pp
Profit margin (%)	**1.3**	3.6	–2.3pp
ROE (%)	**2.9**	8.5	–5.6pp
Debt to equity (%)**	**57.6**	47.5	+10.1pp
Net debt to equity***	**Net Cash**	Net Cash	N/A
Current ratio (times)	**1.4**	1.4	0.0%
Trade receivable turnover period (days)****	**109**	105	+3.8%
Inventories turnover period (days) ****	**62**	65	–4.6%
DATA PER SHARE (HK CENTS)			
Earnings per Share – Basic	**17.92**	44.64	–59.9%
Earnings per Share – Diluted	**16.28**	44.14	–63.1%
Dividend per share	**9.0**	14.60	–38.4%
Book value per share	**673.93**	552.70	+21.9%
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)	**3,061**	3,042	+0.6%
Market capitalisation	**10,805**	15,575	–30.6%
Skyworth Digital Co., Limited (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,071**	1,035	+3.5%
Market capitalisation	**11,818**	15,391	–23.2%

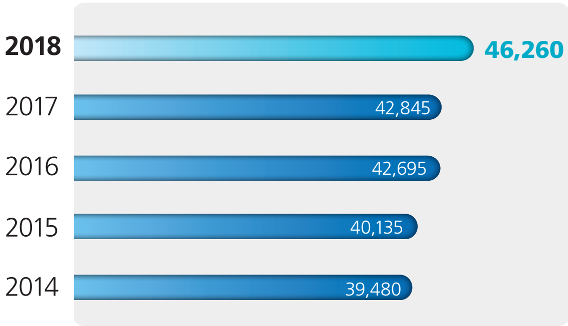
* *Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash*

** *(Borrowings + corporate bonds)/total equity*

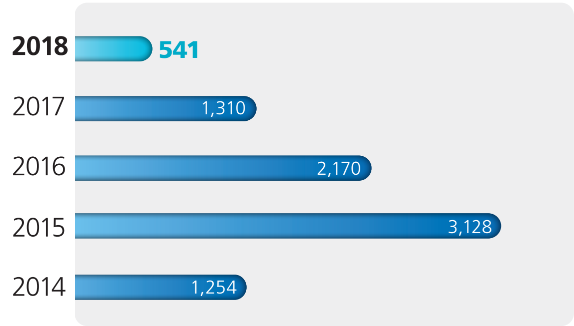
*** *(Cash position + bills on hand – borrowings – corporate bonds)/total equity*

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

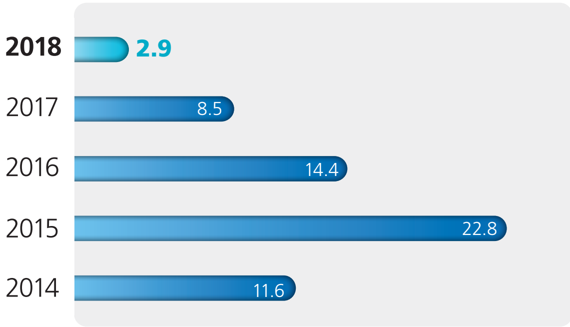
Revenue
(HK$ million)



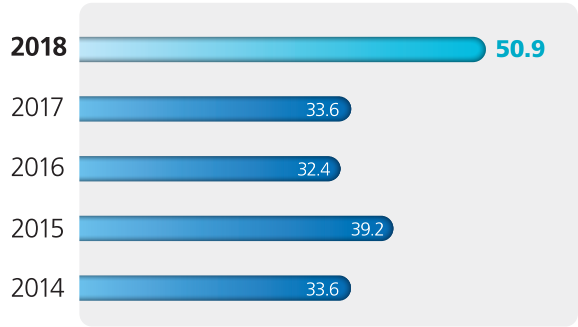
Profit Attributable to Owners of the Company
(HK$ million)



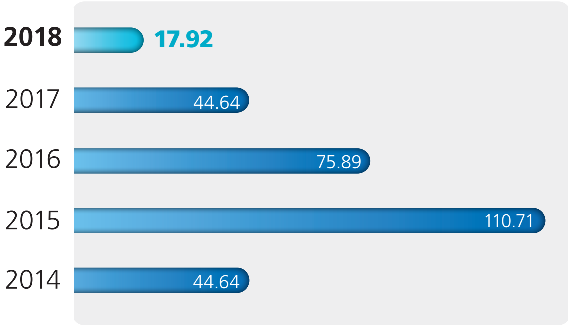
ROE
(%)



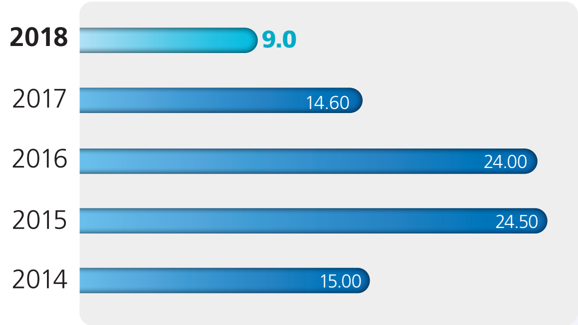
Dividend Payout Ratio
(%)



Earnings Per Share – Basic
(HK cents)



Dividend Per Share
(HK cents)



CHAIRMAN'S STATEMENT

30年

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The Group will likely power through an incredibly tough operating year in 2018, driven by the overall decelerated growth in the home appliances market, persistent high price levels of core components (such as panels and chips), as well as significant fluctuations in exchanges rates, the Group experienced a major contraction in gross profit, while its development faced daunting challenges. The aforesaid notwithstanding, the past year also happened to be the first year that the Group promoted transformation-driven development. Amidst overwhelming difficulties and pressure, the Group was devoted to the promotion of reform, innovation and enhancement through transformation, not only did it manage to complete key tasks previously determined and deliver on the adjusted operational objectives, it also set targets for its reform and enhancement for the next 5 years, laying down a solid foundation to reach the revenue threshold of HK$100 billion.

The Group recorded revenue of HK$46,260 million for the year, representing a year-on-year growth of 8.0%. Net profit decreased by 61.5% from the previous year to HK$588 million. While the Group's final results turned into profit-making from a loss position in the first half, there was no room for complacency with such fierce competition in the external operating environment.

The Group has set the target to become a hundred-billion enterprise for its five-year upgrading plan through transformation. This will inevitably require it to further expand the operation scale of its black appliances (including TVs) business unit while accelerating the advancement of its white appliances (including air conditioners) business unit towards large-scale operation. Recognising that its existing manufacturing base in Shenzhen would be unable to meet the demand for future development in terms of productivity and manufacturing craftsmanship, the Group therefore made plans to build a new smart black appliances manufacturing base in Guangzhou and a smart white appliances manufacturing base in Chuzhou (Anhui Province) during the year, with a view to meeting future productivity demand for black and white appliances. The Group has explicitly proposed an overall strategic direction in its development plan for upgrading through reformation during the next 5 years, also known as the "1334 Strategy". This will entail the full implementation of three key strategies – namely intellectualisation, refinement and internationalisation – to ensure achievement of the target to deliver revenue of HK$100 billion. In addition, it also requires further development of its four key business sectors, namely multimedia (including the operation of digital set-top boxes), smart appliances, smart systems technology and modern services. The "1334 Strategy" aims at making Skyworth a leading enterprise in the field of smart home appliances and information technology that is known for advanced technologies of its key products, sound corporate governance, effective operations, stringent supervision, adequate incentives and global competitiveness.

In addition, Skyworth is a typical research and development-focused manufacturer with major operations in sales, research & development, manufacturing and procurement. Considering that the Group is in possession of a large amount of information that needs to be studied and utilised, it is therefore vital for the Group to step up its development in the sector of information infrastructure – the week spot in its portfolio – from this year. By accelerating the development of information infrastructure, the Group aims to transform its development model, promote industrial upgrading and products innovation. In addition to establishing a 4U principle (Unified Planning, Unified Standards, Unified Development and Unified Management) for group-wide execution of information system development, we have also made plans for system function & structure, system technology design and key development tasks.

Building on advancements of existing technologies such as artificial intelligence, big data, cloud computing and the internet, the upgrading of home appliance products has become increasingly fast-paced. In terms of the TV business unit, its products now feature smart capabilities, bigger screens, high-end finishes and multiple functions. According to forecast published by professional research institutes regarding market sales for 2018, TV sales are expected to resume an upward momentum, with global and domestic shipments reaching 223 million and 49 million units, representing a year-on-year growth of 1.4% and 3.1%, respectively; driven by growth in overseas markets, global shipments of digital set-top boxes are expected to exceed 300 million units, representing a year-on-year growth of approximately 3%; mild growths are also expected for air conditioners, refrigerators and washing machines in 2018.

Regarding raw materials, prices of TV panels and chips rose substantially by approximately 15% during the year, which had a major impact on the Company's marginal profit, squeezing the profitability of its products. During 2018, prices for panels and chips are expected to decrease slightly, due to the successive commencement of operation of mainland-based panel factories and the increase in chip productivity overseas, which will help the Group lowering down its cost of sales to some extent.

In 2018, the Group will commit its best effort in seizing opportunities arisen from the general trend in consumption upgrading, focus on smartisation, seek new growth points from high-end products, increase technology-related investment, as well as accelerate technological advancement and product upgrading. This approach is sixfold: (1), to accelerate technological research and development of smart systems, this involves integrating new technologies, which are then applied to propose an overall comprehensive solution for the smart-home business of Skyworth; building smart-home experience centres; accelerating the establishment of connecting and linking standards and protocols for smart-home systems; and creating an industrial ecological chain for the smart-home business. (2), to accelerate product upgrading for its TV business unit, which entails further strengthening the application of artificial intelligence technologies and organic light-emitting diode (OLED) screen research and development to enhance product functions; fully improving the exterior design and finish of TV products; launching super TV products that feature superior image, exceptional visual effect, high performance and premium quality; launching unique products to target key business regions overseas; and launching customised product series for rural markets. (3), to accelerate the upgrading of the Coocaa system, this requires Shenzhen Coocaa to accelerate the establishment of its independent research and development centre to launch the Coocaa Operating System. (4), to accelerate product upgrading (including digital set-top boxes), this includes launching digital set-top boxes products of unique functions, as well as automobile electronic products, such as central control systems, event data recorders and display systems. (5), to accelerate the upgrading of its air-conditioner products, which means launching air-conditioner products that feature smart voice-activated assistant and proposing plans for technological development of air-conditioner compressors. (6), to enhance its effort in staying on top of the latest display technologies.

In addition, Skyworth has long been taking pride in its industry-recognised sales team, who has diligently made invaluable contribution to its development. However, in an era known for rapid development in information technology, Skyworth is gradually relinquishing the competitive advantage that it used to enjoy from a manpower-based sales system. Therefore, Skyworth will accelerate the development of its information infrastructure in 2018, aiming to increase sales efficiency and further expand the coverage and depth of its sales market by utilising internet-based and cloud-powered innovative sales methods.

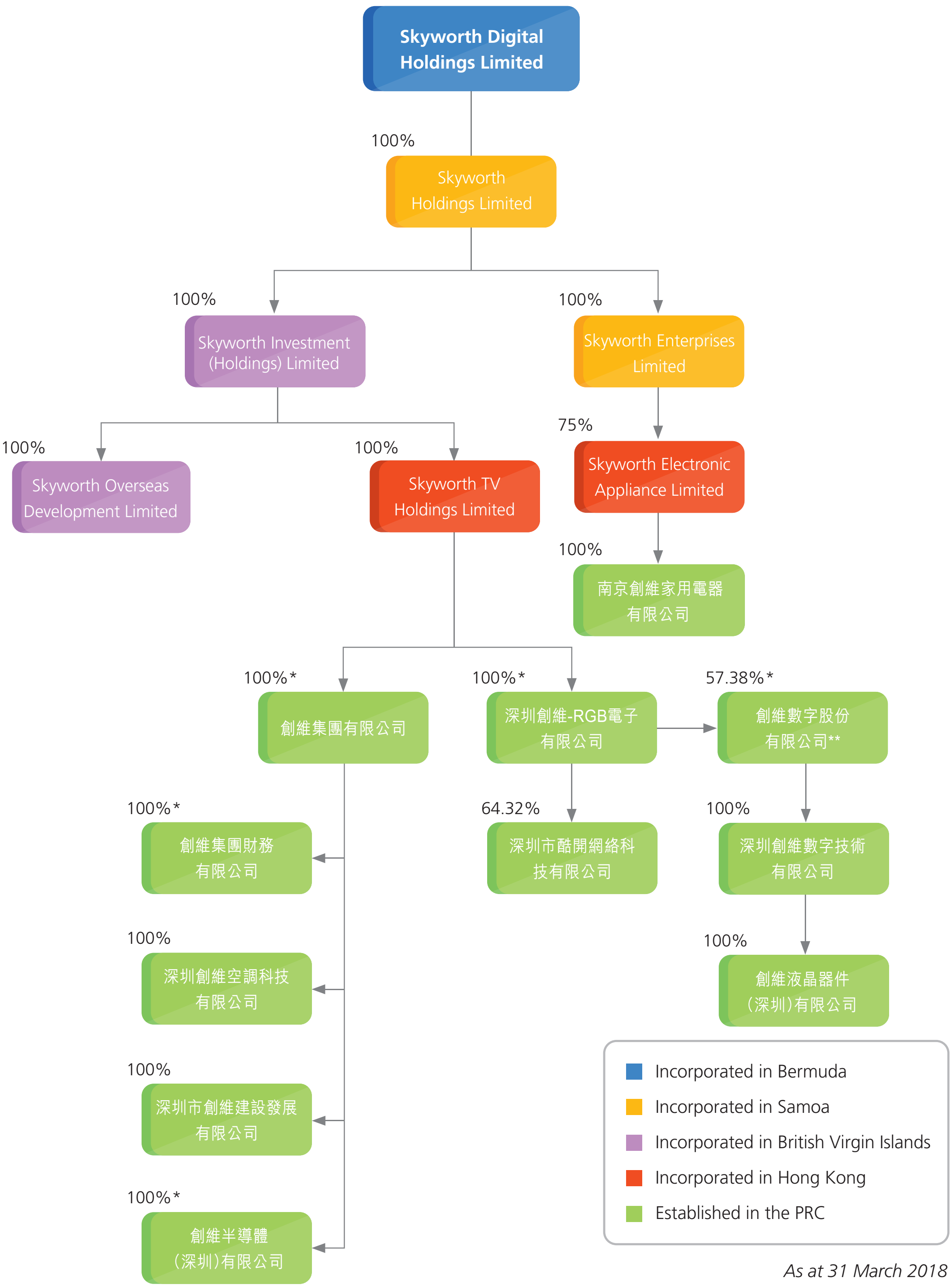
We are about to embark on a journey that will take Skyworth to a new development stage for the next 3 decades, it therefore comes with great duty, responsibility and implication to make thorough plans for this year's tasks. Skyworth will nurture a keen sense of crisis, pressure and responsibility throughout the Group, devotedly implement its "1334 Strategy", prioritise innovation-driven development and faithfully perform every task. Under the leadership of Group management, we will accelerate reform, innovation and upgrading through transformation with unyielding ambition, audacity and courage. We will also actively ensure the delivery of operating targets for the coming year, strive to take various operations to the next level, thereby bringing Skyworth to the next stage of its development.

Last but not least, on behalf of the Board, I would also like to extend our sincere gratitude to Mr. Yang Dongwen ("Mr. Yang") for his contribution to Skyworth over the years. As Mr. Yang wishes to spend more time handling personal affairs, he has decided not to renew his service contract with the Company after its expiration and to resign as a non-executive director, effective from 1 April 2018. The Board was also pleased to announce on the same day that Mr. Lin Jin ("Mr. Lin") had been appointed as an executive director. With extensive experience accumulated from years of hard work in the electronics industry, the Board has high hopes for Mr. Lin to guide Skyworth to its next milestone.

Yours sincerely,

Lai Weide
Chairman of the Board
12 June 2018

Simplified Corporate Structure



As at 31 March 2018

* *Effective Interest of Skyworth Digital Holdings Limited*

** *Shares are listed on Shenzhen Stock Exchange, stock code: 000810. Besides, the calculation of non-controlling interests under the Consolidated Statement of Profit or Loss and Other Comprehensive Income in this annual report was on the basis of 59.40%. For details, please refer to Note 57(f) of the consolidated financial statements.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE REVIEW

Overall Business Review

For the Reporting Year, the consolidated revenue of the Group reached HK$46,260 million (2017: HK$42,845 million), representing an increase of 8.0% when compared with the previous year. The Reporting Year marks the first year for the Group to advance its transformation and development. The results for the first half of the year was unsatisfactory with a loss of HK$189 million due to various difficulties and pressure. During the second half of the year, the Group took forward in full swing the reform, innovation, transformation and upgrading, and it eventually managed to achieve a turnaround from loss to profit of HK$777 million, and the profit for the year reached HK$588 million (2017: HK$1,529 million), representing a decrease of 61.5%, on a yearly basis. Gross profit margin was 16.7% (2017: 20.0%), decreased by 3.3 percentage points when compared with the previous year.

For the Reporting Year, the overseas TV sales volume increased by 14.6%, while the TV sales volume in the China market decreased by 15.8% year on year, resulting in a decrease of 2.8% in the total TV sales volume compared to the previous year. However, the 4K Smart TV sales in the domestic market rose by 1.8% on a year on year basis.

The Group's TV sales volume for the Reporting Year are analysed by product and geographical segment as follow:

	April 2017 to March 2018	April 2016 to March 2017	**April 2017 to March 2018 vs April 2016 to March 2017**
	Unit ('000)	Unit ('000)	**Increase/ (Decrease)**
China Market			
which comprises:	**7,867**	9,339	(16%)
– 4K TV	**4,368.1**	4,291.2	2%
– Non-4K TV	**3,498.7**	5,047.3	(31%)
Overseas Market	**7,953**	6,941	15%
Total TV sales volume	**15,820**	16,280	(3%)

The TV business unit in China market recorded the following numbers of users using Skyworth Smart TV as at 31 March 2018:

- Accumulated activated users for Internet TV: 28,354,822
- Weekly active users for Smart TV: 14,265,674
- Daily active users for Smart TV: 10,874,835

Although the TV sales volume in mainland China market for the Reporting Year was not satisfactory, the Group's management was fully aware of the customers' needs and demands for the high-end and intelligent products, and has made timely adjustments to the product mix in line with market changes and placed more focus on high-quality products. These measures have successfully raised the average selling prices and reduced the decline in turnover from TV sales in mainland China market. Meanwhile, turnover from overseas markets recorded an impressive growth driven by the continuous improvement of the Group's market share and brand awareness in overseas markets, making up for the decrease in turnover from TV sales in mainland China market. Furthermore, the digital set-top boxes recorded a satisfactory growth in turnover both in domestic and overseas markets during the financial year, contributing to an increase of 8.0% in the Group's consolidated revenue compared to the previous year.

Business Review by Geographical and Product Segments

Mainland China Market

For the Reporting Year, sales in mainland China market accounted for 65.8% of the Group's total revenue, a slight increase of 0.3%, rising from HK$30,326 million in the previous year to HK$30,428 million. The corresponding gross profit margin was 20.5% (2017: 22.3%), representing a decrease of 1.8 percentage points year-on-year.

For the mainland China market, TV sales accounted for 64.5% of the total mainland China revenue, while sales of digital set-top boxes and LCD modules and white appliances (excluding air conditioning products) accounted for 18.3% and 7.4%, 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 9.8%.

TV products

During the Reporting Year, fierce competition continued to reign the TV market in mainland China, we are seeing extended alterations in both retail price and market share. The Group was committed to technological innovation, and optimised its product mix by launching large-size 4K Smart TV and other products tailored to consumer demands, while raising the average selling price of products and the proportion of sales of high-end smart products. Proportion of 4K Smart TV sales volume in the mainland China market grew to 55.5%, partly making up for the impact of sales performance. The TV products turnover in mainland China market recorded HK$19,625 million (2017: HK$20,700 million), which was dropped by 5.2% from the previous year.

With the integration of the Internet in traditional industries, the "hardware + content + service" industry deployment introduced by the Group has been increasingly favoured by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI") and an affiliate of Tencent Holdings Limited ("Tencent") have successively made strategic investments in and cooperation in respect of Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Shenzhen Coocaa", an indirect non-wholly owned subsidiary of the Company). On 16 March 2018, an indirect wholly-owned subsidiary of Baidu, Inc., which was listed on the Nasdaq in the United States, also made an investment of RMB1,010,000,000 in Shenzhen Coocaa. Both parties have agreed to carry out a series of in-depth cooperation in various areas, such as product and technology. DuerOS, the conversational Artificial Intelligence ("AI") operating system developed by Baidu, will be synchronised with the system of Coocaa to jointly provide consumers with entry-level smart home products and services. The combination of hardware and software in the AI industry is expected to bring another upgrade to the industry and brand-new experience for users.

During the Reporting Year, the Group seizes opportunities arising from transformation of the home appliance industry and the upgrading in product technologies to drive extended development of new products. We launched the anti-blue light eye-protecting TV – U3B series and Model 55A3 in June 2017, and unveiled our most cutting-edge Wallpaper OLED TV at IFA Berlin in September 2017, making Skyworth the first and only brand from the domestic market to launch this product. On the other hand, the Group has also been accelerating the smartisation of its products, which resulted in a fast yet sustainable growth in the user population of Smart TV. To quicken the penetration of smart products, Coocaa's smart platform will be customised into all Skyworth Smart TVs, giving consumers the liberty to choose online contents at will on top of conventional cable TV programmes, so as to strengthen TV's centred position at a smart household. During the Reporting Year, Skyworth reported more than 28 million activated users of its Smart TVs in the domestic market, with the revenue from its video, gaming, advertising, educational and other contents amounting to HK$342 million (2017: 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$5,557 million (2017: HK$4,110 million), representing an increase of 35.2% or HK$1,447 million when compared with the previous year.

The Group seized the opportunity of digitalisation and smartisation upgrade of set-top boxes by broadcasting and TV operators, strived to maintain its market position, enhance user loyalty and vigorously develop broadband access services, aiming to drive the continuous growth of sales by virtue of its experience of more than ten years in the independent research and development of smart terminals. At the same time, the Group also grasped the opportunity arising from the ambitious business deployment in smart homes, smart city and content operations by the top three cable operators to enhanced the product differentiation, improved the design of intelligent access terminals and made greater efforts in market deployment, and reinforced its capabilities of distribution to customers at provincial, prefecture and county levels. By actively leveraging on the advantages and strengths of its retail channels, the Group has become the top supplier of intelligent terminals for landline use to domestic telecommunications operators. On the other hand, the Group's small and medium-sized LCDs and OLEDs were well-received by well-known mobile phone brands home and abroad, which have become our major strategic customers. The Company conducted intelligent manufacturing of SMT mobile phones and complete machines for these brands, with products including high-end smartphones, mid-range feature phones and Bluetooth headsets. At the same time, with excellent intelligent manufacturing quality and rapid delivery, the Group became the first qualified Chinese company to supply LED strips to a well-known Korean brand and a qualified global supplier for a Taiwan-based brand. During the Reporting Year, the Group also actively expanded its business of new intelligent displays, such as other wearable displays, industrial control displays, on-board displays, and advertising screens. These new businesses have laid a solid foundation for the future growth of turnover.

White Appliances

For the Reporting Year, the revenue of white appliances in mainland China market recorded HK$2,246 million (2017: HK$1,829 million), representing an increase of 22.8% or HK$417 million.

During the Reporting Year, white appliances were upgraded gradually and was moving towards high-end and intelligent development. For example, the successive launch of high-end dual-opening doors air-cooled refrigerator and high-end washing and drying integrated large-capacity washing machine has marked the leap-forward development of products. At the same time, we have implemented the product upgrade strategy for traditional agency sales channels, made more efforts in the promotion of new products, and actively explored e-commerce channels and Original Equipment Manufacturer ("OEM") custom channels. As a result, several strategic customised customers were introduced, leading to an increase in average selling prices. In addition, turnover was also improved substantially as the total sales volume of washing machines, refrigerators and freezers exceeded 1 million units.

Overseas Markets

For the Reporting Year, revenue in overseas markets accounted for HK$15,832 million (2017: HK$12,519 million), equivalent to 34.2% of overall revenue (2017: 29.2%), soared by HK$3,313 million or 26.5%. The gross profit margin was 9.4% (2017: 14.5%), representing a decrease of 5.1 percentage points when compared with the previous year.

TV products

For the Reporting Year, the revenue of overseas TV products was HK$12,164 million (2017: HK$8,937 million), equivalent to 76.8% (2017: 71.4%) of the total overseas revenue and grew by 36.1%. The sales volume of LED LCD TV in overseas reached 7.95 million sets, grew by 14.6% when compared with the previous year. The gross profit of TV products has shown a notable drop of 5.2 percentage point to 6.6% (2017: 11.8%).

For the Reporting Year, the Group was committed to improving its global deployment through the strategy of "internationalisation" by seizing great advantages and opportunities arising from the "Belt and Road" national initiative. On the one hand, we embedded intelligent technologies into our products and enriched our offerings through product differentiation to customise products for overseas customers. On the other hand, we fully leverage the Company's product development competence and mass-production capacity to make it possible to address the needs of more customers, further improving our brand image in international markets. During the Reporting Year, our business volume grew rapidly, while sales volume amounted to approximately 7.95 million units, representing a year-on-year growth of 14.6%.

Over the years, the Group expanded market exposure through the model of OEM, Original Design Manufacturer ("ODM") and setting up overseas branches to promote our own brand. We launched diversified products targeting various market needs and continued to improve the comprehensive distribution channels, gaining increasing popularity and visibility for our own brand in overseas markets. During the Reporting Year, the proportion of our own branded sales in overseas markets recorded a year-on-year increase of 24.0%.

Digital set-top boxes and LCD modules

The revenue of overseas digital set-top boxes and LCD modules for the Reporting Year has increased by 12.0% to HK$2,737 million (2017: HK$2,444 million).

During the Reporting Year, the Group took full advantage of a number of business opportunities, such as the upgrade of digital boxes in various countries, the development of the DVB-T2/HEVC standard, the growth of demands for satellite boxes, the continued advancement of digitisation projects by governments of relevant countries, and the need for new optical fibre broadband IP services. In addition, the Group also concentrated its resources to promote digital OTT intelligent terminal products of our own brand in European markets. As one of the remarkable results from these efforts, the Group has witnessed enhanced influence and increased awareness of its digital set-top boxes in overseas markets, and it is now among a handful of companies authenticated by Google's OTT TV services. In addition, the Group completed the merger and acquisition of Caldero Limited, a UK-based company, in March 2017, and secured orders from high-end operators, further strengthening its overall competitiveness to tap into the global market of first-tier and mainstream operators and enhancing its global deployment and customer service capabilities.

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 90.0% (2017: 91.0%) 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	
	2018	2017
	(%)	(%)
Asia	**51**	44
America	**14**	18
Middle East	**13**	13
Europe	**12**	16
Africa	**9**	9
Australia	**1**	–
	100	100

Gross Profit Margin

For the Reporting Year, the overall gross profit margin of the Group decreased by 3.3 percentage points from 20.0% to 16.7% year-on-year.

During the first half of the year, gross profit margin of the Group was under great pressure due to the increase in the prices of LCD TV panels, chips and other raw materials. During the second half of the year, the average selling prices increased as the price of the LCD screen fell and the Group actively promoted adjustments in product structure of business units by deploying more resources in research and development to enhance product features, strengthen the promotion of new products and speed up the switching to mid-range and high-end products. Meanwhile, the Group continued to streamline its corporate structure and launched a series of cost reduction and efficiency enhancement measures to reverse the trend of declining gross profit. The proportion of turnover from overseas markets to total turnover increased by 5.0 percentage points in comparison with the same period of previous year. Due to lower gross profit margins in overseas markets, the increased proportion of their sales volumes had correspondingly affected the overall gross margin directly. However, the management of the Group believed that, along the rapid promotion of products from our own brands overseas, the gross margin of overseas markets will continue to improve, which in turn will drive growth in the overall gross margin.

Expenses

The Group's selling and distribution 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, the selling and distribution expenses decreased by HK$529 million or 10.4% from HK$5,091 million in previous year to HK$4,562 million. The selling and distribution expenses to revenue ratio decreased by 2.0 percentage points from 11.9% to 9.9%.

The Group's general and administrative expenses for the Reporting Year rose by HK$48 million or 1.7% from HK$2,864 million in previous year to HK$2,912 million. The general and administrative expenses to revenue ratio decreased by 0.4 percentage points from 6.7% to 6.3%, mainly attributable to the fact that during the Reporting Year, the Group invested heavily in research and development, which lead to an increment of research and development expenses by HK$306 million or 21.1%. Such research and development expenses were used to develop different functional features for high intelligence, energy saving, AI and healthy quality products.

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$12,134 million (2017: HK$9,298 million), increasing by HK$2,836 million or 30.5% from the end of the previous year. Bank balances and cash amounted to HK$9,095 million (2017: HK$4,336 million), representing an increase of HK$4,759 million, compared with that as at the end of the previous year. Restricted bank deposits amounted to HK$641 million (2017: HK$479 million), which was increased by HK$162 million in comparison with the end of the previous year. Pledged bank deposits amounted to HK$417 million (2017: HK$290 million), increasing by HK$127 million from the end of the previous year.

As at the end of the Reporting Year, secured assets included HK$417 million pledged bank deposits (2017: HK$290 million), trade receivables of HK$32 million (2017: HK$4 million), bills receivables of HK$573 million (2017: HK$420 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$324 million (2017: HK$477 million).

As at the end of the Reporting Year, total bank loans amounted to HK$9,322 million (2017: HK$7,992 million), corporate bonds (inclusive of interest) amounted to HK$2,555 million (2017: Nil). Overall interest-bearing liabilities were HK$11,877 million (2017: HK$7,992 million), equity attributable to owners of the Company amounted to HK$18,607 million (2017: HK$15,479 million). The debt to equity ratio of the Group revealed as 57.6% (2017: 47.5%).

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. However, as the USA is entering into a rate hike cycle, coupled with uncertainties surrounding trade tensions between China and the United States, it is more difficult to forecast the trend of exchange rates. As at the end of the year, the weakening dollar has led to general appreciation of a number of foreign currencies, which posed higher foreign exchange risks to the Group. The Group has been reducing bank loans denominated in US$, while promoting RMB as the overseas procurement settlement currency, so as to minimise its foreign exchange exposure. However, the Group was not immune to the general trend of exchange rate on the global market. The Group recognised net foreign exchange loss of HK$290 million (2017: net foreign exchange gain of HK$175 million) associated with general operation during the Reporting Year.

On 15 September 2017, the Group publicly issued the first tranche of its corporate bonds to eligible investors on the Shenzhen Stock Exchange. This was the first time that the Group raised funds from the capital market since it became a listed company in Hong Kong in 2000, and it will have a positive effect on optimizing the Group's debt structure and securing completion for its major projects. The aggregate principal amount of bonds issued was RMB2 billion, whose coupon rate was 5.36%.

In addition, the Group still holds the following investments during the Reporting Year:

(a) Unlisted equity securities

As at 31 March 2018, the Group holds investments in 32 unlisted companies. The total value (at cost) of these investments (net of impairment loss recognised) are HK$1,354 million, of which HK$1,026 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 2018, the Group holds two listed equity securities, details of which are as follows:

Listed company	Shareholding as at 31 March 2018	Value of investment as at 31 March 2018 (HK$ million)	Value of investment as at 31 March 2017 (HK$ million)	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	5.04%	43.4	53.1	The Stock Exchange of Hong Kong Limited	Manufacturing and sale of air-conditioners
Ningbo Exciton Technology Co. Limited	0.85%	35.1	84.3	The Shenzhen Stock Exchange	Manufacturing and sale of flat screen display

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

(c) Other financial instruments

The Group holds investment products with a total fair value of HK$110 million as at 31 March 2018. These investment products are unlisted and are issued by banks, securities firms, investment companies and other companies in the PRC. These products typically have a term of 3 years or less, details of which are as follows:

Issuer/Manager	Investment type	Expected returns (%) (Note)	Value as at 31 March 2018 (HK$ million)
First Capital Security Holdings Limited	Investment fund	8.00% – 10.00%	75.5
Others	Mainly include investment fund, private equity fund, venture capital fund, and multimedia production	3.25% – 15.00%	34.8

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

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, in order to expand production scale and increase the proportion of smart products in the output, the Group made an investment of approximately HK$902 million (2017: HK$921 million) for the expansion and construction of plants. The Group also spent approximately HK$742 million (2017: HK$510 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 approximately HK$521 million (2017: HK$744 million) on property, plant and equipment, factory buildings, office premises and equipment.

During the Reporting Year, the subsidiaries of the Group acquired a parcel of land in Guangzhou at a consideration of approximately HK$90 million, with an area of 3,791 sq.m, which will be used for the construction of our South China headquarters, and acquired a parcel of land in Nanjing at a consideration of approximately HK$37 million, with an area of 127,144 sq.m, which will be used for the construction of a refrigerator and washing machine plant.

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 about 36,000 (2017: 38,000) employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 32 branches and 188 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 2017/18 annual report.

OUTLOOK

In 2018, the Group will focus on industrial transformation and upgrading, push ahead with the construction of intelligent bases in the Pearl River Delta and the Yangtze River Delta, while fully implementing the strategy of intelligence, sophistication and internationalization to boost the four major sectors including multimedia, smart appliances, intelligent systems technology and modern service industry and actively facilitate the application of the internet, internet of things, cloud computing, big data, AI and 5G, and focus on the construction of the ecosystem of smart home appliance industry to develop relevant key ancillary businesses at both upstream and downstream levels. To this end, in the year 2018, the Group will focus on innovation, promote green manufacturing, and deepen the adjustment of the overall industry and product structure. It is expected that such initiatives will create new momentum for the growth of the home appliances market, and will enable the Group to become a globally competitive leader in smart appliances and information technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Lai Weide, aged 59, is the Chairman of the Board and Executive Director. Mr. Lai is also the chairman of Skyworth Digital Co. Ltd., a subsidiary of the Company and listed on the Shenzhen Stock Exchange (Stock code: 000810.SZ) ("Skyworth Digital") 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 The Stock Exchange of Hong Kong Limited), 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 2018, Mr. Lai has interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Please refer to the details of his interests on pages 34 to 41 of this annual report.

Mr. Liu Tangzhi, aged 55, 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. Mr. Liu is the president of Skyworth Group Co., Ltd.# (創維集團有限公司) ("Skyworth Group"), chairman of Shenzhen Chuangwei-RGB Electronics Co., Ltd and director of Skyworth Digital.

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 2018, 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 34 to 41 of this annual report.

Ms. Lin Wei Ping, aged 60, 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, the former Non-Executive Director and a controlling shareholder of the Company and mother of Mr. Lin Jin, the Executive Director. 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 2018, 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 34 to 41 of this annual report.

Mr. Shi Chi, aged 47, is an Executive Director of the Company. He joined the Group in 2000 and is a director and the president of Skyworth Digital, in which Mr. Shi holds 3.43% shareholding and his spouse holds 0.28% shareholding as of 31 March 2018. 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 2018, 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 34 to 41 of this annual report.

Mr. Lin Jin, aged 34, is an Executive Director of the Company. Mr. Lin graduated from the University of Toronto with a bachelor degree in applied science. He is currently a director in a number of subsidiaries of the Company, including Shenzhen Coocaa Network Technology Company Limited# (深圳市酷開網絡科技有限公司) and Skyworth Digital. He is also currently a director (non-executive) of Skywell New Energy Automobile Co., Ltd.# (開沃新能源汽車有限公司) and Skysource (China) Investment Co., Ltd.# (創源天地(中國)投資有限公司) and a number of their respective subsidiaries. Prior to joining the Group in 2011, Mr. Lin worked in MediaTek Inc. as a sales manager from November 2009 to October 2011 and Realtek Semiconductor Corp. as a system development engineer from September 2007 to September 2009. He has more than 10 years of work experience in companies primarily engaged in the business of designing and manufacturing electronics and electronic components.

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

As at 31 March 2018, Mr. Lin 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 34 to 41 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Weibin, aged 56, 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 2018, 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 34 to 41 of this annual report.

Mr. Cheong Ying Chew, Henry, aged 70, 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 CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), CK Infrastructure Holdings Limited (formerly known as 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 2018, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Li Ming, aged 55, 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 The Stock Exchange of Hong Kong Limited) 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 2018, Mr. Li does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

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

SENIOR MANAGEMENT

Mr. Sun Ruikun, aged 55, joined the Group in September 2013. He is the vice president of the Skyworth Group and 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. Huang Mingyan, aged 55, joined the Group as vice president of Skyworth Group in June 2017. Mr. Huang graduated from Chongqing University with a master degree in architectural economics and management. From August 1984 to July 1988, Mr. Huang worked as an designer at Central Design & Research Institute under the Ministry of Machinery Industry; from August 1993 to September 1999, he served as deputy head of the Group Affairs Department of China National Real Estate Development Group Corporation; he was general manager of the Property Department of China Electronics Corporation from October 1999 to November 2002; Mr. Huang served as general manager and secretary of Party Committee at China Electronic Industrial Development Company from December 2002 to April 2013; and he worked as assistant general manager of Caihong Group Corporation and general manager of Caihong Group Industrial Co., Ltd from May 2013 to May 2017.

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

Mr. Sun Weizhong, aged 42, is a director of Skyworth Group, the president of Shenzhen Chuangwei-RGB Electronics Co., Ltd., and also a director of certain subsidiaries of the Company.

Mr. Sun joined the Group in 1999 after he graduated from the School of Management of Northwestern Polytechnic University with a bachelor degree. Over these years, he has successively worked as sales representative, manager of sales office, general manager of regional office, group branding director, marketing director and sales director of the group PRC sales headquarters, as well as general manager of the overseas sales headquarters.

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 46, 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.

Mr. Wu Wei, aged 51, joined the Group in May 1997. Mr. Wu is a professor-level engineer who graduated from ShanghaiTech University with a bachelor degree in radio electronics. From May 1997 to January 2005, Mr. Wu served as deputy chief engineer and chief engineer of Shenzhen Chuangwei-RGB Electronics Co., Ltd.; from January 2005 to February 2009, he worked as vice president of Skyworth Multimedia (Overseas) Company Limited and general manager of its Research Centre; Mr. Wu was appointed as chief engineer of the TV business unit since February 2009, and he has been serving as chief engineer of Skyworth Group since 2017.

Mr. Wu personally owns 13 authorised patents for invention and has published 7 theses on national publications. He presided and participated in the implementation of a number of China's key national programmes, including the project of core electronic components, high-end general use chips and basic software products, the 863 Programme, the Key Technologies R&D Programme, as well as electronics funds under the Ministry of Industry and Information Technology. In total, Mr. Wu has contributed 1 State Scientific & Technological Progress Award (First Class), 6 Guangdong Province Science & Technology Awards, and 7 Shenzhen Municipality Scientific & Technological Progress Awards for the Group.

Mr. Wu is a member of the National Standardisation Technical Committee for Audio, Video & Multimedia System and Equipment, the deputy director of Zhongguancun Audio-Visual Industry Technology Innovation Alliance, and a member of China's Expert Committee of Supplier Alliance for Smart Manufacturing Solutions. He is also head of the Guangdong Provincial Research Centre of Engineering Technology for Ultra-HD Display, a member of the Guangdong Provincial "Expert Panel for the Promotion of 4K Application & Sector Development", director of the Guangdong Provincial Standardisation Technical Committee for Green Manufacturing of Electrical & Electronic Products, and secretary general of the Shenzhen Municipality Alliance for Industry Standards of Smart TV.

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

Mr. Wang Zhiguo, aged 38, is the chief technology officer of Skyworth Group, the chief executive officer of Shenzhen Coocaa Network Technology Company Limited# (深圳市酷開網絡科技有限公司), executive vice president of Shenzhen Chuangwei-RGB Electronics Co., Ltd., head of the Skyworth Research Institute of Intelligent System Technologies, and also a director of certain subsidiaries of the Company.

Mr. Wang graduated in 2006 from Germany Dresden University of Technology with a master degree in computer engineering, he joined the Group in 2009. Over these years, he has successively worked as director and head of research institute, deputy general manager and general manager.

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

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

DIRECTORS' REPORT

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我們再出發

The directors of the Company (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 2018 (hereinbelow also referred to as the reporting year).

PRINCIPAL ACTIVITIES

The Company is an investment holding 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 of the Group are set out in notes 57, 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 4 to 7 and "Management Discussion and Analysis" on pages 9 to 18 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 51 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 18 of this annual report.

Environmental Policies and Performance

The Group is committed to promoting 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 strategies and measures 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 have complied with the laws of their respective place of incorporation and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") where they are applicable. The Group has adopted its own code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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, gender, 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 a company. 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 98 of the annual report.

The board of Directors (the "Board") has proposed a final dividend for the reporting year of HK9.0 cents (in cash) per share of the Company (for the year ended 31 March 2017: HK5.0 cents), totaling approximately HK$275 million (for the year ended 31 March 2017: HK$152 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 31 August 2018, and the retention of the remaining profit for the reporting year in reserves.

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 217 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 9.9% of the Group's total revenue. The aggregate purchase attributable to the Group's 5 largest suppliers accounted for 23.9% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 5.9% 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$902 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately HK$742 million for the expansion of existing production facilities and setting up of 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.

CORPORATE BONDS

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million. The corporate bonds bear an interest at 5.36% per annum with maturity of 5 years which the Company has the right to adjust the coupon rate and the bond holders have a sell-back right to the Group at the end of the third year. The purposes of issuing corporate bonds were to adjust the debts structure and for supplement of general working capital of the Company. The corporate bonds were listed on the Shenzhen Stock Exchange under the abbreviated bond name "17 Skyworth P1" with the code "112584" on 23 October 2017. Details of the corporate bonds are set out in note 40 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in the section headed "Directors' Interests in Shares, Share Options and Awarded Shares" below and note 44 to the consolidated financial statements, no equity-linked agreement was entered into during the reporting year or subsisted at the end of the reporting year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the reporting year are set out in note 42 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 2018 amounted to approximately HK$1,854 million (2017: HK$1,906 million).

DONATIONS

During the reporting year, the Group made charitable donations amounting to approximately HK$13 million.

DIRECTORS

The Directors who were in office during the reporting year and up to the date of this report are named as below:

Executive Directors:

Mr. Lai Weide	*(Chairman of the Board)*
Mr. Liu Tangzhi	*(Chief Executive Officer)*
Ms. Lin Wei Ping	
Mr. Shi Chi	
Mr. Lin Jin	*(Appointed with effect from 1 April 2018)*

Non-executive Director:

Mr. Yang Dongwen	*(Resigned with effect from 1 April 2018)*

Independent Non-Executive Directors:

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Li Ming

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr. Lai Weide, Mr. Liu Tangzhi, Ms. Lin Wei Ping and Mr. Lin Jin will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors as notified to the Company subsequent to the date of the 2017/18 interim report of the Company are set out below:

Directors	Detail of Changes
Mr. Lai Weide	– With effect from 1 April 2017, the total emoluments increased from RMB2,000,000 per annum to RMB2,500,000 per annum, which including a Director's salary of RMB2,000,000 per annum and a Director's fee of RMB500,000 per annum. Save for the Director's salary and Director's fee, Mr. Lai is entitled to receive a discretionary bonus based on the performance of the Group.
	– Appointed as chairman and director of Skyworth Digital Co., Ltd. (00810.SZ), a company listed on the Shenzhen Stock Exchange, with effect from 12 April 2017.
	– Resigned as chairman and legal representative of Shenzhen Chuangwei-RGB Electronics Co., Ltd ("RGB"), with effect from 1 April 2018.
Mr. Liu Tangzhi	– With effect from 1 April 2017, total emoluments increased from RMB2,000,000 per annum to RMB2,500,000 per annum, which including a Director's salary of RMB2,000,000 per annum and Director's fee of RMB500,000 per annum. Save for the Director's salary and a Director's fee, Mr. Liu is entitled to receive a discretionary bonus based on the performance of the TV Business Unit and the Group.
	– Appointed as chairman and legal representative of RGB, with effect from 1 April 2018. On the same date, Mr. Liu resigned as president of RGB.
	– Appointed as director of Skyworth Digital Co., Ltd. (00810.SZ), a company listed on the Shenzhen Stock Exchange, with effect from 12 April 2018.
Ms. Lin Wei Ping	– With effect from 1 April 2017, total emoluments increased from HK$2,100,000 per annum to HK$2,100,000 and RMB500,000 per annum, which including a Director's salary of HK$2,100,000 per annum and Director's fee of RMB500,000 per annum. Save for the Director's salary and Director's fee, Ms. Lin is entitled to receive a discretionary bonus based on the performance of the Group.
Mr. Shi Chi	– With effect from 1 April 2017, the Director's fee increase from nil to RMB500,000 per annum. Save for the director's fee, Mr. Shi is entitled to receive an annual salary and allowance from Shenzhen Skyworth Digital Technology Co., Ltd. ("Shenzhen Digital") and discretionary bonus based on his performance and the profitability of Shenzhen Digital.

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 19 to 27 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 46 to 62 of the annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 55 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 31 March 2018, the interests and short positions that the Directors and the chief executive of the Company had or were deemed to have in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in shares of the Company and associated corporation

The Company

Name of director	Capacity		Number of issued shares held	Approximate percentage of the total number of issued shares
Lin Wei Ping	Beneficial owner		9,160,382	0.30%
	Interest of spouse	*(Notes a and b)*	1,181,356,799	38.59%
		(Notes a and c)	1,190,517,181	38.89%
Liu Tangzhi	Beneficial owner		5,884,675	0.19%
Shi Chi	Beneficial owner		5,184,825	0.17%
	Interest of spouse		4,146,466	0.13%
			9,331,291	0.30%
Li Weibin	Beneficial owner		1,000,000	0.03%
Yang Dongwen *(Resigned with effect from 1 April 2018)*	Beneficial owner		168,000	0.005%

Notes:

(a) *These 1,181,356,799 shares of the Company are held by Target Success Group (PTC) Limited ("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 1,181,356,799 shares.*

(b) *Ms. Lin Wei Ping is interested in 1,190,517,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,181,356,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.*

(c) *Mr. Wong Wang Sang, Stephen is interested in 1,190,517,181 shares of the Company, which comprise the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.*

Associated corporation – Skyworth Digital Co., Ltd.

Name of director	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner *(Note)*	1,000,000	0.09%
Shi Chi	Beneficial owner	36,770,524	3.43%
	Interest of spouse	3,000,000	0.28%
		39,770,524	3.71%

Note: These shares are restricted shares granted under the restricted share incentive scheme of Skyworth Digital Co., Ltd., which is a 57.38% owned subsidiary of the Company, (the "Restricted Share Incentive Scheme") during the reporting year, which are subject to lock-up restrictions under the terms and conditions of the Restricted Share Incentive Scheme. The restricted shares will be released from the lock-up restriction in 3 batches in accordance with the release schedule under the Restricted Share Incentive Scheme, conditional upon the fulfillment of performance targets specified thereunder. Details of the Restricted Share Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.cninfo.com.cn/). During the reporting period, none of the restricted shares of Mr. Lai Weide were lapsed/cancelled.

(b) Share options of the Company

(i) Particulars of the share option schemes of the Company are set out in note 44 to the consolidated financial statements.

(ii) 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 2017	Granted during the reporting year	Exercised during the reporting year *(Note)*	Cancelled/ Lapsed during the reporting year	Outstanding as at 31 March 2018
Directors:								
Yang Dongwen *(Resigned with effect from 1 April 2018)*								
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	–	–	–	–	–
		28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	–	–	–	–
		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	300,000	–	–	–	300,000
		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	300,000	–	–	–	300,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	–	–	–	600,000

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 April 2017	Granted during the reporting year	Exercised during the reporting year (Note)	Cancelled/ Lapsed during the reporting year	Outstanding as at 31 March 2018
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	–	–	–	–	–
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	1,000,000
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
Liu Tangzhi								
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 August 2018	1 September 2018 to 30 September 2018	750,000	–	–	–	750,000
Total				13,800,000	–	–	–	13,800,000

Under 2014 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 April 2017	Granted during the reporting year	Exercised during the reporting year (Note)	Cancelled/ Lapsed during the reporting year	Outstanding as at 31 March 2018
Directors:								
Lai Weide								
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				20,000,000	–	–	–	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$5.133.

(c) Awarded shares of the Company

(i) Share Award Scheme

The share award scheme was approved by the Board on 24 June 2014 (the "Share Award Scheme"). The maximum number of shares of the Company that 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, the Company did not purchase any shares of the Company from market through an independent trustee. As at 31 March 2018, 30,064,601 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 45 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, 8,442,000 and 3,753,000 awarded shares were vested on 31 August 2015, 31 August 2016 and 31 August 2017 respectively.

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, 2,874,000 and 3,490,000 awarded shares were vested on 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

During the reporting year, scrip shares amounting to 475,862 shares of the Company 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 to the Company.

(ii) As at 31 March 2018, none of the Directors had personal interests in the awarded shares granted under the Company's Share Award Scheme.

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

Directors/ Date of grant	Vesting date	Number of award shares: Outstanding as at 1 April 2017	Granted during the reporting year	Vested during the reporting year	Cancelled/ Lapsed during the reporting year	Outstanding as at 31 March 2018
Yang Dongwen *(Resigned with effect from 1 April 2018)*						
25 July 2014	31 August 2015	–	–	–	–	–
	31 August 2016	–	–	–	–	–
	31 August 2017	336,000	–	(168,000)	(168,000)	–
		336,000	–	(168,000)	(168,000)	–
Liu Tangzhi						
25 July 2014	31 August 2015	–	–	–	–	–
	31 August 2016	–	–	–	–	–
	31 August 2017	268,000	–	(134,000)	(134,000)	–
20 July 2015	31 December 2015	–	–	–	–	–
	31 December 2016	–	–	–	–	–
	31 December 2017	340,000	–	(340,000)	–	–
		608,000	–	(474,000)	(134,000)	–
Total		944,000	–	(642,000)	(302,000)	–

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, had or was deemed to have 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) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company under Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code as at 31 March 2018.

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 44 and note 45 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 2018, so far as is known to the Directors or the chief executive of the Company, the register of interests in shares and short positions maintained by the Company pursuant to Section 336 of the SFO showed that the following persons had, or were deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Target Success Group (PTC) Limited	Trustee *(Note a)*	1,181,356,799	38.59%
Wong Wang Sang, Stephen	Interest of spouse *(Note b)*	9,160,382	0.30%
	Interest of controlled corporation *(Note a)*	1,181,356,799	38.59%
		1,190,517,181	38.89%
Lin Wei Ping	Beneficial owner	9,160,382	0.30%
	Held by spouse *(Note c)*	1,181,356,799	38.59%
		1,190,517,181	38.89%

Notes:

(a) *These 1,181,356,799 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 1,181,356,799 shares.*

(b) *Ms. Lin Wei Ping is interested in 1,190,517,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,181,356,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.*

(c) *Mr. Wong Wang Sang, Stephen is interested in 1,190,517,181 shares of the Company, which comprise the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.*

Save as disclosed above, as at 31 March 2018, the Directors or the chief executive of the Company were not aware of any other interests or short positions that any person had, or were deemed to have in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following continuing connected transactions during the reporting year:

(1) Pursuant to the Factoring Agreement dated 19 October 2017 (the "Factoring Agreement") entered into between Shenzhen Chuangwei Financial Leasing Company Limited（深圳創維融資租賃有限公司）("Shenzhen Chuangwei Financial Leasing"), an indirect 100% wholly-owned subsidiary of the Company, and Nanjing Golden Dragon Bus Co., Ltd（南京金龍客車製造有限公司）("Nanjing Golden Dragon Bus"), Shenzhen Chuangwei Financial Leasing has agreed to provide factoring services to Nanjing Golden Dragon Bus with a facility in the factoring principal amount of RMB499,500,000 for a term of one year commencing from 19 October 2017 with factoring interest of 8% per annum. Nanjing Golden Dragon Bus has also agreed to transfer the accounts receivable as referred in the Factoring Agreement to Shenzhen Chuangwei Financial Leasing.

During the reporting year, the actual factoring principal amount under the Factoring Agreement was RMB499,500,000.

(2) Pursuant to the Sale and Leaseback Agreement dated 19 October 2017 (the "Leaseback Agreement") entered into between Shenzhen Chuangwei Financial Leasing and Nanjing Golden Dragon Bus, Nanjing Golden Dragon Bus has agreed to sell a motor vehicle to Shenzhen Chuangwei Financial Leasing at an initial sale price of RMB500,000 and the motor vehicle will be leased back to Nanjing Golden Dragon Bus for a term of one year commencing from 19 October 2017. Upon expiry of the lease term, Nanjing Golden Dragon Bus is required to repurchase the vehicle from Shenzhen Chuangwei Financial Leasing at a purchase price of RMB1.00.

During the reporting year, the actual leasing principal amount under the Leaseback Agreement was RMB500,000.

Details of the Factoring Agreement and Leaseback Agreement are disclosed in the Company's announcement dated on 19 October 2017. The aggregate annual cap (covering maximum factoring and leasing principal) in respect of provision of the factoring services and sale and leaseback services to Nanjing Golden Dragon Bus was RMB500 million and the aggregate factoring and leasing principal provided to Nanjing Golden Dragon Bus did not exceed the annual cap.

Mr. Wong Wang Sang, Stephen, substantial shareholder of the Company, indirectly held approximately 76.03% equity interest of Nanjing Golden Dragon Bus and therefore Nanjing Golden Dragon Bus constituted an associate of a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Factoring Agreement and Leaseback Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the reporting year, the Company has complied with the relevant disclosure requirements in respect of the continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed the respective continuing connected transactions of the Group and confirmed that these transactions were entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms; and (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Messrs Deloitte Touche Tohmatsu, the independent auditors of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.56 of the Listing Rules, the auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of related party transactions made during the reporting year, which included the aforementioned continuing connected transactions of the Company, is disclosed in note 56 to the consolidated financial statements.

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

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 of the Company.

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
12 June 2018

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 Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code").

COMPLIANCE WITH THE CG CODE

During the financial year ended 31 March 2018 (hereinbelow also referred 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 provision A.6.7 of the CG Code as 2 independent non-executive Directors were unable to attend the annual general meeting of the Company held on 28 July 2017 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, 5 are executive Directors and 3 are independent non-executive Directors. The list of Directors are set out on page 220 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 19 to 27 of this annual report.

Mr. Yang Dongwen resigned as non-executive Director with effect from 1 April 2018. Mr. Lin Jin was appointed as executive Director with effect from 1 April 2018.

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

The chairman of the Board is Mr. Lai Weide and the chief executive officer of the Company is Mr. Liu Tangzhi. 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 and/or it's subsidiaries 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 thorough 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	✓	✓	✓
Mr. Liu Tangzhi	✓	✓	✓
Ms. Lin Wei Ping	✓	✓	✓
Mr. Shi Chi	✓	✓	✓
Non-Executive Director:			
Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*	✓	✓	✓
Independent Non-Executive Directors:			
Mr. Li Weibin	✓	✓	✓
Mr. Cheong Ying Chew, Henry	✓	✓	✓
Mr. Li Ming	✓	✓	✓

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	1/1	100%
Mr. Liu Tangzhi	1/1	100%
Ms. Lin Wei Ping	1/1	100%
Mr. Shi Chi	0/1	0%
Non-Executive Director:		
Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*	0/1	0%
Independent Non-Executive Directors:		
Mr. Li Weibin	0/1	0%
Mr. Cheong Ying Chew, Henry	1/1	100%
Mr. Li Ming	0/1	0%

Board Meetings and Corporate Governance Function

The Board held a total of 8 meetings during the reporting year. Of these, 2 meetings were held mainly for approving the 2016/17 final results and the 2017/18 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	7/8	88%
Mr. Liu Tangzhi	8/8	100%
Ms. Lin Wei Ping	8/8	100%
Mr. Shi Chi	8/8	100%
Non-Executive Director:		
Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*	2/8	25%
Independent Non-Executive Directors:		
Mr. Li Weibin	8/8	100%
Mr. Cheong Ying Chew, Henry	7/8	88%
Mr. Li Ming	8/8	100%

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/en/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 11 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 and 25 August 2017. 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, Mr. Cheong Ying Chew, Henry and Ms. Lin Wei Ping. 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 made recommendation to the Board for the adoption of the revised terms of reference of the Nomination Committee;
- reviewed and made recommendation to the Board on the proposal for the appointment of executive Director; and
- reviewed the proposal for the change of chairman, legal representative and president of RGB, the Company's subsidiary.

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)*	3/3	100%
Mr. Li Weibin	3/3	100%
Mr. Cheong Ying Chew, Henry	3/3	100%
Executive Director:		
Ms. Lin Wei Ping	3/3	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 and 25 August 2017. 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, Mr. Li Ming and Ms. Lin Wei Ping. 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 a 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;

- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

- to produce and approve disclosure statements of the Company's remuneration policy and other disclosures in relation to the Remuneration Committee and its work as required by applicable laws and rules where necessary.

The Remuneration Committee held 4 meetings and passed 1 written resolution by all the members during the reporting year for the purposes, including but not limited to the followings:

- reviewed and made recommendation to the Board on the emoluments of Directors and bonus payable to the Directors and senior management of the Group;
- reviewed and made recommendation to the Board on the proposal for the grant of restricted shares to the Chairman of the Board under the Share Incentive Scheme by Skyworth Digital Co., Ltd;
- reviewed and made recommendation to the Board for the adoption of the revised terms of reference of the Remuneration Committee;
- reviewed and made recommendation to the Board on the renewal of service contract of an executive Director and an independent non-executive Director;
- reviewed and made recommendation to the Board on the remuneration packages for the appointment of an executive Director and a senior management of the Company; and
- reviewed and made recommendation to the Board on the proposed incentive scheme to Directors and senior management 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	3/4	75%
Mr. Li Ming	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 44 and 45 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;
- oversaw 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
- met 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	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 Hong Kong Financial Reporting Standards;
- 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 30 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 91 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 internal audit annual plan ("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 **2018** **Amounts** **HK$ million**	 2017 Amounts HK$ million
Audit service (including review of interim financial statements)	**8**	8
Non-audit and tax related service	**2**	5
Total	**10**	13

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/en/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/en/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 Hong Kong 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

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ABOUT SKYWORTH AND BUSINESS INFORMATION

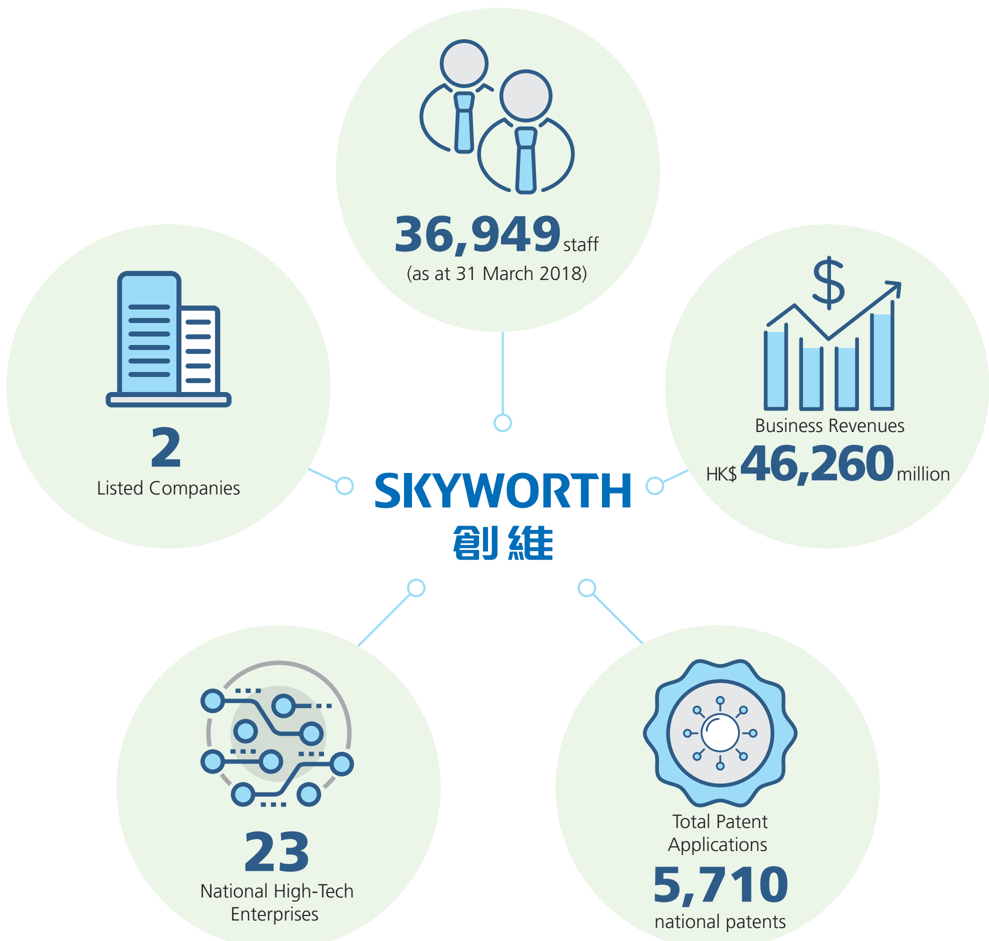
Our business

Skyworth Digital Holdings Limited (the "Company", which together with its subsidiaries is referred to as the "Group", "Skyworth", "we" or "us") is a smart home appliances and information technology company which principally engages in, among others, multimedia (smart TV, set-top box, content operations), and household appliances (smart products such as refrigerators, washing machines, air conditioners, kitchen appliances, etc.), smart system technologies and big data, as well as modern service industries.

Skyworth was established in 1988 and listed on the Main Board of the Stock Exchange in 2000. The Skyworth headquarters is located at Shenzhen High-tech Industrial Park which is known as the "Silicon Valley" of innovation and has more than 36 thousand employees. Skyworth is a company rooted in China with a global presence. The Group's 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 holds two listed companies, known as Skyworth Digital Holdings Limited (stock code: HK00751), Skyworth Digital Co., Ltd. (stock code: 000810.SZ), 23 national high-tech enterprises, and has established a state-level enterprise technology centre and a state-level industrial design centre. The Group's R&D, manufacturing and marketing agencies are located both at PRC China and abroad, and its products are sold worldwide. Skyworth Group has been enjoying high ranking among China's top 100 electronics companies for many consecutive years.

Business Highlights of Skyworth for the Financial Year 2017/2018



Skyworth's corporate responsibility philosophy

In addition to a proactive approach to the improvement of its operation efficiency and financial performance, the Group also allocates resources to the development of human resources, environmental protection, quality products and contribution to communities, with a view to achieving the win-win vision for the environment, the society and the business. The Group has taken on the mission of "Green Skyworth, Green Audio-visual, Green World" focus on the following issues:

Skyworth's Corporate Responsibility Philosophy

"Integrity, win-win cooperation" and "Growth and Development" are the core values and development foundation of Skyworth. These core values will enable us to achieve our corporate mission and create values for our customers, shareholders, employees and the society.

ABOUT THE REPORT

Reporting year

We are pleased to present this 4th corporate social responsibility (CSR) report (the "Report"), which outlines the environmental and social policies and performance of the Group during the period from 1 April 2017 to 31 March 2018 (the "Reporting Year"), providing details of our contributions and actions made to the communities where we operate as well as the environment and the society as a whole.

In order to manifest our determination to be a global leader in the industry of consumer electronics, Skyworth began to publish its CSR report back in the financial year 2014/15. We believe that the publication of our CSR reports is more than a means of communication to our stakeholders of our sustainability strategies, management approaches and performances and will also enable the Group to improve its competitiveness and practice its core values of "Integrity, win-win cooperation" and "Growth and Development" in its operations.

Scope of the report

This Report covers the Group's core activities of our main business segments including audio-visual and electronic home appliances businesses. In the sections related to environment protection and operating practices, we have focused on the report of our TV business and set-top box business. These two business segments have significant implications on the Group's operation as they contributed the most substantial revenue generation and cash flow transactions.

Principles of reporting

This Report is prepared in accordance with the disclosures requirements set forth in the "Environmental, Social and Governance Reporting Guide" ("ESG Guide") under Appendix 27 to the Listing Rules. This Report is disclosed based on the principles of materiality, quantitative, balance and consistency.

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 has taken a proactive approach to reviewing the Group's ESG-related risks to ensure that effective risk management and internal control systems are in place. For more details of the corporate governance of the Company, please refer to the Corporate Governance Report on pages 46 to 62 of this Report.

Framework of the report

This Report is presented in three major sections: (1) an overview of the Group's stakeholders engagements and an analysis of materiality; (2) a report on the Group's efforts in environmental protection measures and performance, and (3) a discussion focused on the Group's social policies and performance in terms of staff development, social responsibility and operating practices.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS OF SKYWORTH

Highlights of stakeholder engagement

Feedbacks from our stakeholders are critical to the sustainability of the Group. In view of this, the Group has been making great efforts in organising various engagement activities involving our stakeholders in building up their trust and confidence in Skyworth, and adopting feasible advices collected and integrating into its operation practices. By instilling diversified communication channels, we intend to establish an open and transparent framework of corporate culture and governance that will keep Skyworth accountable to its stakeholders, and to continue the forward progress of its sustainable development. Meanwhile, Skyworth also places emphasis on its communication and exchange of information with the internal staff. The Group holds various internal meetings in different forms, which cover various material issues such as operational analysis, development of key performance indicators (KPIs), coordination between research and production (R&P) and between supply and distribution (S&D), product planning, technology seminar and investor relations.

Annual KPIs signing convention

New technology seminar

A technology exhibition cum celebration themed as "National Manufacturing Model – Skyworth's 30th Anniversary Celebration"(國家製造典範創維家電30週年慶典)was held by the Company on 24 April 2018. The celebration was divided into two sessions, namely, the "30th Anniversary Exhibition of Scientific and Technological Achievements" and the 30th anniversary celebration of "Celebrating the 30th Anniversary and Embracing the New Starting Point for Skyworth".

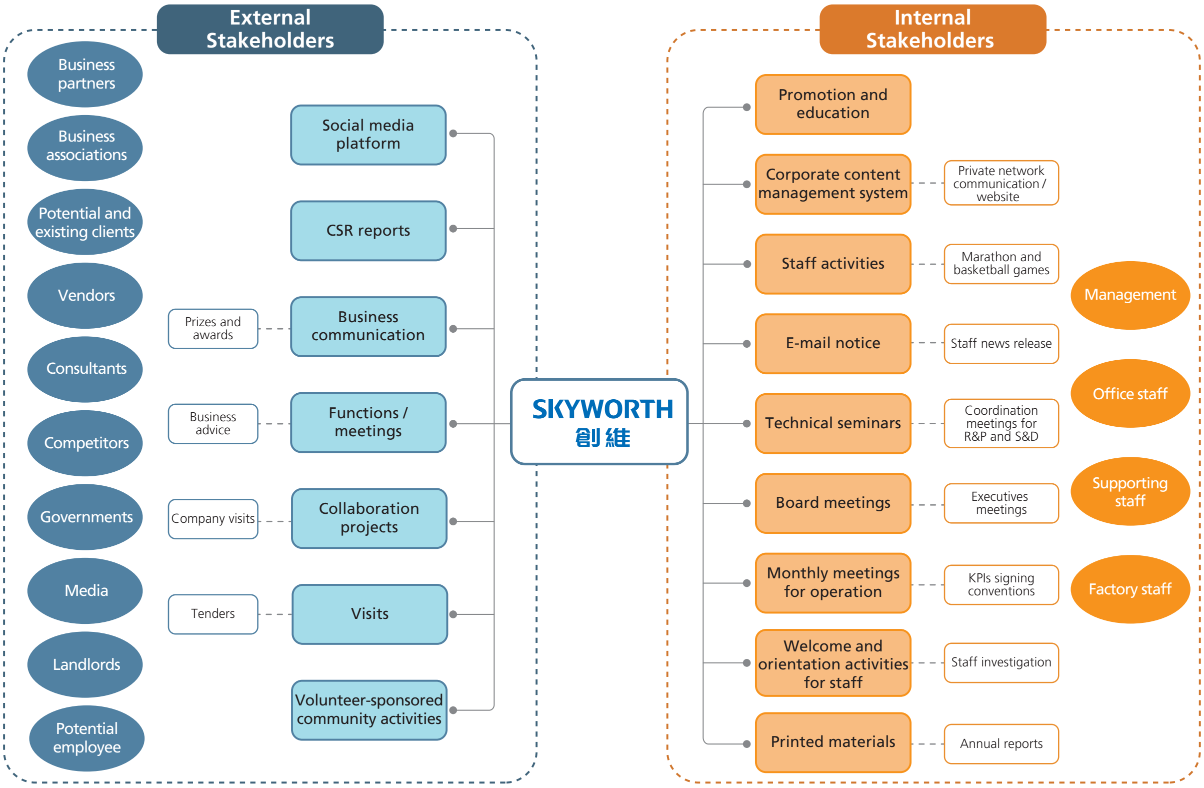
The "30th Anniversary Exhibition of Scientific and Technological Achievements" demonstrated the scientific and technological achievements attained by the Company over the last 30 years since its establishment. There were approximately 4,500 visitors from all over the world who attended the event. "Celebrating the 30th Anniversary and Embracing the New Starting Point for Skyworth" attracted a total of approximately 8,200 people, including 6,700 internal employees and 1,500 guests who witnessed the glorious moment of Skyworth's 30th anniversary. The guests included strategic partners, bankers, external legal consultants, external auditors, as well as guests from academic and business sectors.

In particular, at the celebration ceremony, three special awards, namely the "Merit Prize for Managerial Excellence"(管理功勳獎), the "Merit Prize for Technical Achievements"(科技功勳獎)and the "Prize for Outstanding Performance"(優秀奮鬥者獎)were granted to our management personnel and staff for their valuable contributions to the Company. In addition to the recognition of the achievement attained by our employees, at the ceremony, we also granted the "Strategic Cooperation Award" to 22 suppliers and distributors in recognition of their contribution to the development of the Company. The Board believes that the cooperation and communication with our outstanding management, staff and external stakeholders will bring sustainable and significant benefits to the development of the Company.

30th Anniversary Management Merit Award

30th Anniversary Strategic Cooperation Award

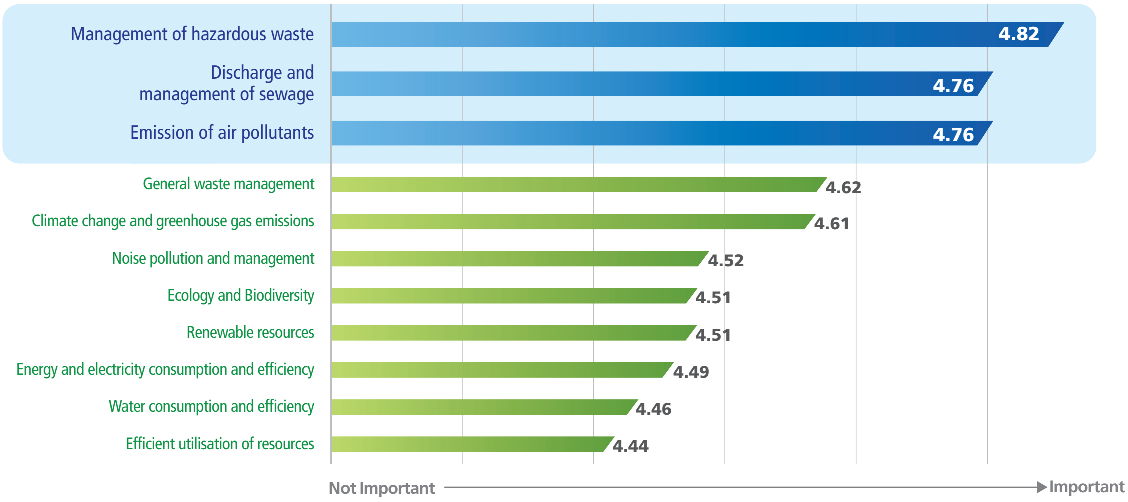
Stakeholders and Communication Channels



Result of materiality assessment for stakeholders

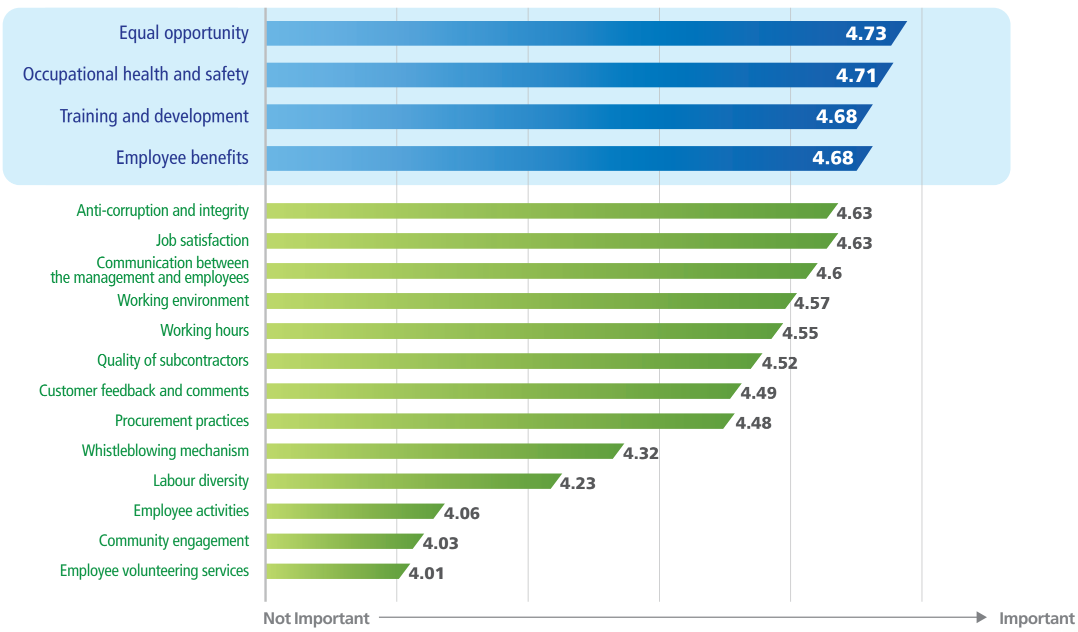
During the Reporting Year, the Group conducted a survey with its internal stakeholders, which covered 17 industrial segments, with more than 150 representatives of staff members from all levels of the Company. The participating staffs gave their respective responses to the major environmental and social issues that were regarded as being of most significance in their respective scope of work. Environmental issues such as "Management of Hazardous Waste", "Discharge and Management of Sewage" and "Emission of Air Pollutants", were identified by staffs as the top 3 most important environmental aspects in respect of the Group's day-to-day activities.

Skyworth's Internal Stakeholders' View to the Ranking of Importance on Environmental Issues



In addition to environmental issues, employees are also required to prioritise various social issues of Skyworth. Among these social issues, "equal opportunity", "occupational health and safety", "training and development" and "employee benefits" achieved the highest average scores, reflecting the strong concern of employees on the related rights and development opportunities experienced during their employment.

Skyworth's Internal Stakeholders' View to the Ranking of Importance on Social Issues



We will continue to work with various stakeholders to create a more comprehensive understanding of materiality issues pertaining to Skyworth's business operations, and subsequently to allocate resources to reduce relevant risks and improve performance.

EFFORTS IN ENVIRONMENTAL PROTECTION MADE BY SKYWORTH

Environmental strategies of Skyworth

Skyworth recognised environmental protection as an important part of corporate social responsibility. Therefore, the Group has implemented various green measures in cooperation with its business partners for energy conservation and emission reduction, with an aim to mitigate the adverse impact on the environment. By actively promoting public awareness of environmental protection and providing guidelines to different business segments, we intend to integrate the Group's environmental protection strategies into every aspect of our operation, and finally realise its vision of attaining "Green Skyworth, Green Audio-visual, Green World".

During the Reporting Year, Skyworth has adopted, in a comprehensive manner, the internationally recognised Environmental Management System (ISO14001:2015) and Energy Management System (ISO50001:2011) as the guiding principles of the Group in environmental protection. The Group's environmental policy comprises four main strategies, namely "Production Design", "Operational Energy Saving", "Concepts of Environmental Protection" and "Clean Energy". The "Production Design" strategy aims to optimize 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 "Energy Saving in Operation" strategy, the Group will relentlessly promote the environmental awareness culture and embed the conservation value to our workforce. Skyworth is promoting E-process of documents to reduce paper wastage; we are also applying natural lighting concepts and adjustable air-conditioning as well as establishing a robust waste management system in our buildings. 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 energy efficiency improvement in product designs, eco-friendly packaging, or even the transportation emissions. Last but not least, we also formulated the "Clean Energy" strategy to encourage the on-going transformation from the traditional energy sources to the increased utilisation of clean and renewable energy.

Skyworth's Long-term Green Initiatives

PRODUCTION DESIGN

Consider the use of recycled materials and implant structural design on products i.e. simplify design to increase mould utilisation and simplify production process.

CONCEPTS OF ENVIRONMENTAL PROTECTION

Embed the green concepts into the overall supply chain, such as environmental packaging design and support green laboratory R&D to produce environmentally-friendly products.

ENVIRONMENTAL PROTECTION

ENERGY SAVING IN OPERATION

Increase E-processing to promote a paperless culture, optimise usage of natural lighting, waste management, and adjustable air-conditioning to reduce unnecessary waste of resources.

CLEAN ENERGY

Increase utilisation of clean energy, such as solar power, light hybrid power generation system and ground water recycling.

Greenhouse gas

Measures for reducing greenhouse gas

Global warming is currently the most serious environmental challenge facing the world, which would directly affect the survival and well-being of humankind. In response to China's strategy of low carbon transformation, Skyworth has established energy conservation and emission reduction as one of the most important directions for corporate innovation, and has applied this principle to the planning, design, R&D, manufacturing and marketing of electronic appliance products. The Group believes that with the development and popularisation of electronic appliance technologies, interpersonal communication is no longer limited by geographical restrictions and as a result, frequent business trips are no longer necessary for enterprises. Meanwhile, paper consumption in business activities has also been reduced due to the rapid development of Internet audio-visual technology. All these developments will contribute to the control of overall carbon dioxide emissions in the environment.

As a leading company in the audio-visual electronic appliance industry, Skyworth has developed extremely high standards in terms of energy consumption requirements for the audio-visual products we produced. The Group carries out life cycle assessment on the energy consumption and emissions of various products, sets relevant energy consumption and emission indicators for different products, and actively promotes the upgrading of our products, including LED LCD TVs, energy-saving LED LCD TVs and OLED TVs, as well as the improvement of their energy efficiency.

In addition to product upgrading, the Group has also placed great emphasis on the impact of our daily operations on global warming. In response to China's "Made in China 2025" initiative and "Robotic Strategy-311 Project" of Skyworth, we actively facilitate technological innovation within the Company and have established automated production lines to reduce unnecessary energy consumption and emissions from equipment. Through its active efforts in development of various new energy solutions and constant reviews of internal guidelines, the Group is also committed to reducing greenhouse gas emissions in the production and business operation with a view to slowing down the rate of climate change. In addition, RGB, a subsidiary of the Group, has become a member of the China Emission Exchange since 2013 and is permitted to participate in carbon trading directly, in line with the development strategy of Shenzhen as a national Low Carbon Pilot City. Meanwhile, Skyworth was recognised by the Ministry of Industry and Information Technology as one of the first 46 "Smart Production Pilot Demonstration Enterprises".

The Group has implemented the following measures to reduce greenhouse gas emissions:

- 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. The Group also has a plan to gradually replace all remaining conventional diesel forklift trucks with electric forklift trucks in the future to reduce the use of diesel fuel and achieve zero emission from trucks.

- Installation of Solar Panels: The Group is committed to cutting down its power consumption and related 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 implementing an energy conservation project to replace the current injection moulding machines with new and more efficient models and reduce the use of natural gas, thereby reducing the carbon dioxide emissions from the moulding machines by 20%. New type of servo motors will be used to replace most of the traditional motors.

During the Reporting Year, the total amount of greenhouse gas emissions for the TV business and digital set-top boxes business was 58,850 tonnes and 18,786 tonnes carbon dioxide equivalent respectively, and the Group was not aware of any violation of laws relating to greenhouse gas emissions. Through persistent efforts, we expect to gradually achieve the vision of "Green Skyworth, Green Audio-visual, Green World" and create pathways for Skyworth to move towards a low carbon future.

Greenhouse gas emissions by Skyworth

	For the year 2017/2018	
Scope of greenhouse emission	Total emissions (tonnes carbon dioxide equivalent)	Intensity (tonnes carbon dioxide equivalent/ per thousand produced product units)
TV business	58,850	3.68
Digital set-top boxes business	18,786	0.51

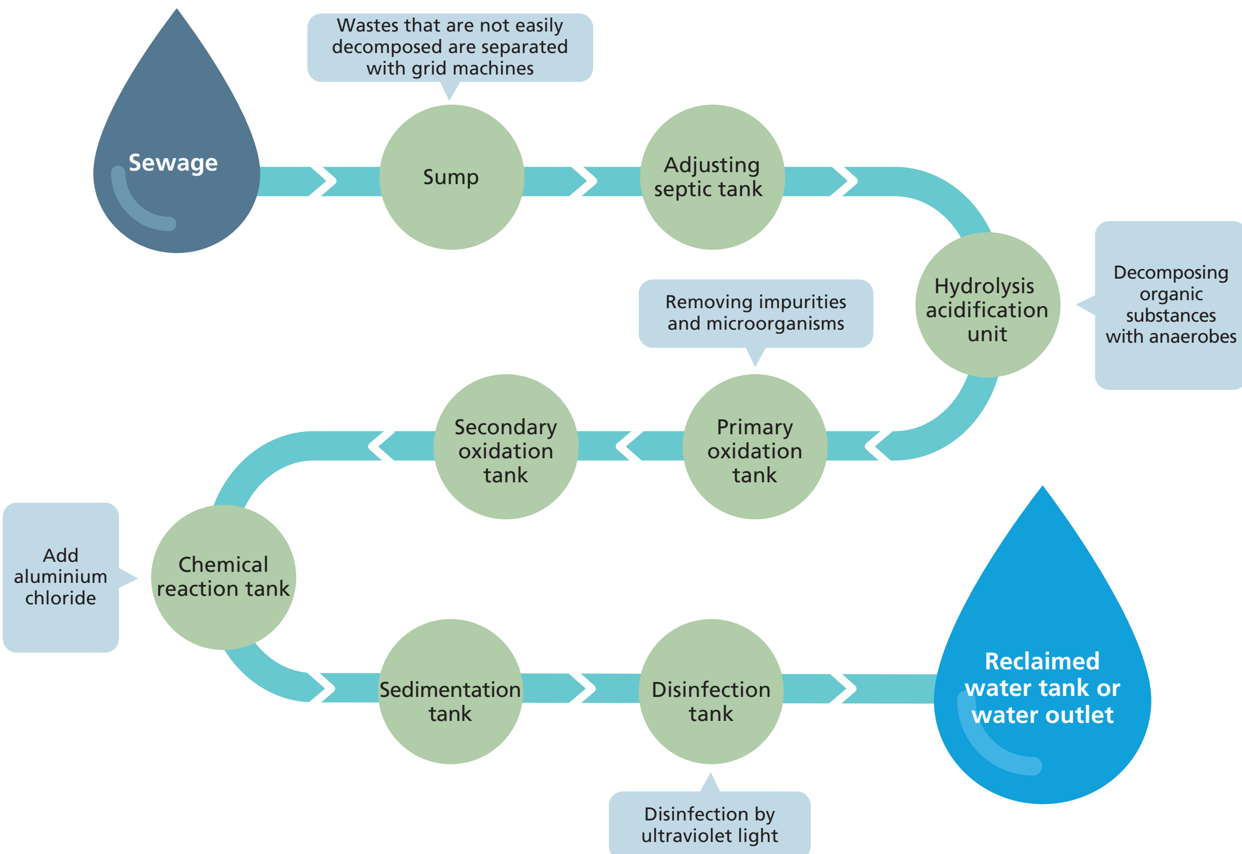
Utilisation of resources

Utilisation of water resources

In view of the uneven distribution of fresh water around the world and the fact that many major rivers are drying up and being polluted, the Group is determined to fulfil its due responsibilities and obligations on environmental protection by protecting water resources from pollution and reducing water consumption in its daily operations.

Domestic water consumption represents the major water consumption category of the Group. The Group has built a comprehensive sewage treatment facility in the Industrial Park, which is controlled automatically by a PLC system and monitored online by the Ministry of Environmental Protection of the PRC. It has a domestic sewage treatment capacity of approximately 5,500 m^3 per day, ensuring that the sewage emission complies with the A-grade national standard after treatments. During the Reporting Year, the Group was not aware of any violation of laws relating to the discharge of sewage.

Process Adopted by Skyworth for Treatment of Domestic Wastewater



The water resources of the Group are mainly supplied by municipal governments through water pipe network, and there is no difficulty in obtaining water resources as the water consumption of our business is limited. However, as part of its efforts in promoting water resources conservation, Skyworth has also established a water recycling system to enable further treatment of sewage and turn it into reclaimed water with higher standard of water quality. In order to save water, we reuse the reclaimed water for other purposes (such as cleaning, greenery and flushing water). During the Reporting Year, such water recycling process helped save approximately 16% of the daily water consumption, and the total amount of reclaimed water exceeded 360,000 m^3 during the year. On the other hand, the Group has also set up separate water accounts for each business unit and recorded their water consumption monthly for data analysis. For business units with high water consumption, we formulate measures for continuous improvement and review their effectiveness on a regular basis.

Reuse of domestic wastewater

Although industrial water accounts for only a small portion of the Group's water consumption, the Group is striving to seek feasible solutions for reducing water consumption and put them into practice. In the Reporting Year, we replaced 10 old EPS moulding machines and saved a total of approximately 421 tonnes of water consumption.

Standard output and water consumption of EPS moulding machines

Water saving comparison	Total consumption (tonnes)
For the year 2016-17 (25 moulding machines in total)	42,406
For the year 2017-18 (25 moulding machines in total, 10 of which were new models)	41,985
Total water recycled from industrial activities	421

Water consumption of Skyworth

	For the year 2017/2018	
Scope of water consumption	Total consumption (m^3)	Intensity (m^3/per thousand produced product units)
TV business	877,382	55
Digital set-top boxes business	476,983	13

Electricity consumption

Skyworth is aware that the use of electricity not only involves energy consumption, but also generates direct and indirect emission of pollutants to the community. In order to reduce the Group's environmental footprint, we strictly comply with the requirements of the energy management system and manage energy consumption across different departments with a target-oriented approach. Over the past three years, Skyworth has made persistent efforts in innovation of energy saving and achieved outstanding results. During the Reporting Year, as a result of seven on-going energy-saving measures, Skyworth has saved energy expenditure of approximately RMB1,300 million for the Group, enabling Skyworth to fulfill its environmental responsibilities and to gain benefits from its operation.

Following the global trend of renewable energy, Skyworth has endeavoured to apply renewable energy in the Industrial Park. We believe that compared with other renewable energy sources that are still in the development stage, the cost of photovoltaic power generation has dropped to a level which allows wide adoption and we view this technology also has great potential for development. In view of this, the Group has been carrying out a pilot project since 2016 to install solar photovoltaic power generation system on the roofs of 9 buildings in the Shenzhen Shiyan Skyworth Industrial Park. The installable area of approximately 50,000 m^2, with a total capacity of approximately 4 MW. As a result of this early startup, the current power demand of the Group can be fully satisfied by the solar photovoltaic system without any additional cost, while the remaining power generated is re-inserted in the municipal electricity grid and supplied to other energy consumers. During the Reporting Year, the photovoltaic power system generated a total of approximately 4,000 MWh of electricity.

Photovoltaic power

In addition to solar power generation, the Group also uses solar thermal systems to produce and supply hot water to the Industrial Park, reducing its power consumption by approximately 467 MWh and saving electricity costs of approximately RMB3.74 million per year.

Utilisation of solar

Economic benefits created by energy-saving renovation measures of Skyworth (2015-2017)

Retrofit measures	2015	2016	2017	Accumulated economic benefits (in RMB ten thousand)
Replacement of traditional lighting with LED lights	110.0	150.0	135.0	395.0
Addition of refrigerant to central air-conditioning system	88.4	88.4	88.4	265.2
Energy-saving reconstruction of the water tower	14.8	14.8	14.8	44.4
Highly-efficient and energy-saving moulding machine	/	307.6	307.6	615.2
Energy-saving renovation of injection moulding machines	274.3	466.3	603.5	1,344.1
Solar photovoltaic project	/	41.0	40.0	81.0
Replacement of diesel forklift Trucks	25.0	87.5	125.0	237.5
Total	**512.5**	**1,155.6**	**1,314.3**	**2,982.4**

The daily habits and engagement of our staff are particularly important for energy conservation of enterprises. In order to reduce unnecessary power consumption, the Group encourages our employees to switch off the machines after completion of operation, and arranges staff to ensure that all electrical appliances in each office are turned off before going off duty. Skyworth hopes that our staffs keep an eye on specifics matters to avoid unnecessary waste, and encourage them to put forward feasible suggestions on energy conservation.

Power consumption of Skyworth

	For the year 2017/2018	
Scope of electricity consumption	Total consumption (kWh)	Intensity (kWh/per thousand produced product unit)
TV business	112,153,938	7,015
Digital set-top boxes business	38,068,950	1,031

Natural gas consumption of Skyworth

	For the year 2017/2018	
Scope of natural gas consumption	Total consumption (m^3)	Intensity (m^3/per thousand produced product unit)
Total consumption of the Group*	1,947,826	122

Remark: Only applicable to TV business as no consumption of natural gas was recorded for digital set-top boxes business*

Measures to improve resources utilisation efficiency

Along with its efforts to promote business development, Skyworth has also been striving to minimise the consumption of natural resources, avoiding irreversible impact of its business on the environment and natural resources, and investing resources to promote environmental protection when appropriate. The Group has implemented the following different measures to improve the efficiency of utilising environmental and natural resources:

- Replaced incandescent lamps with energy-saving LED lamps;
- Replaced the existing R22 refrigerant with the new environmentally-friendly refrigerant HR427, and add high efficiency catalyst to conventional refrigerant to improve cooling efficiency and reduce power consumption;
- Used clean natural gas fuel to replace conventional coal water slurry;
- Renovated relevant cooling equipment such as air-conditioning cooling towers, use their own hydrodynamic system to replace conventional motors with significant power consumption;
- Adopted new crafts and new technologies in the packaging factory, while production equipment high energy consumption was replaced by equipment with low energy consumption;
- Adopted new technologies, replaced conventional AC motors with energy-saving servo system and eliminated high energy consuming motors;
- Installed solar panels on the roofs to generate power and transmit to the grid, while supplying power for the production of the Company;
- Replaced the original diesel forklift trucks with electric forklift trucks which are energy-saving and environmentally-friendly to enhance efficiency;
- Set up an energy monitor room with a large screen to realize centralised management on energy efficiency in the production process.

Skyworth has also carried out multi-level publicity and green education activities in various forms to ensure that our employees have a comprehensive understanding of the Group's environmental initiatives, thus facilitating the Company's initiative to promote the idea of green production and green living. Skyworth is now actively advocating the concept of a green, ecological and civilised Industrial Park. It has also launched propaganda posters and banners relating to a green and ecological Industrial Parks in public areas to emphasize the importance of green civilisation to its employees.

Promotion and education

Management of waste

Measures on reducing hazardous and non-hazardous waste:

When it comes to waste disposal, the Group has been adhering to the principle of reducing waste at the sources as well as recycling and reusing waste. Throughout its production processes, the Group avoids the generation of unnecessary waste as far as practicable, while recycling and reusing recyclable waste at the same time. The Group has implemented the following measures to reduce hazardous and non-hazardous waste:

- Waste Disposal: hazardous waste generated in the production is separately collected, stored and disposed of properly by approved and qualified companies. Non-hazardous waste will be recycled if possible, and those non-recyclable wastes will be disposed of by professional companies.

- Printed Circuit Board (PCB) Optimisation: the Group has successfully reduced the generation of hazardous waste by optimising the PCB edge technology. Wastes generated in tin slag, waste PCB board and waste lamp have been correspondingly reduced by 20%, 30% and 50% after the implementation.

During the Reporting Year, the Group did not record any case of non-compliance with laws related to waste disposal and management.

Waste generated by Skyworth

	For the year 2017/2018			
Scope of waste generated	Non-hazardous waste (tonne)	Non-hazardous waste recycled (tonne)	Liquid hazardous waste (litre)	Solid hazardous waste (tonne)
Group total*	2,099	1,380	0.21	4

Note: Including the TV business and digital set-top boxes business*

BUILDING AND ENVIRONMENT

Architectural Design and Environmental Protection

To reduce its overall impact on the environment, Skyworth has adopted a green concept for the design of each new construction project. By utilising eco-friendly building facilities and energy-saving technologies and products, the Group integrates sustainable designs and eco-friendly concepts into the design, construction, operation and renovation of its buildings. Through its newly completed green buildings, the Group aims to not only make better use of available energy and water source, but also to improve staff productivity and enhancing their well-being, so as to deliver on its goal of achieving sustainable development.

Prior to the construction of its two main buildings, i.e. the 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. The Industrial Park is a location that consists of multiple eco-environmental designs, including (1) atmospheric control areas of class 1; (2) water protection area, (3) rubbish recycling area and (4) sewage treatment station. In addition, the Group is extremely serious about the greening performance, it has therefore designated in aggregate approximately 120,000 square metres of land to its green zone, with a greenery coverage of about 30%. We are committed to providing occupants of the Industrial Park with quality green area conservation, so to improve the quality of the environment in which our employees work and live.

Green Architecture and Energy Saving

In addition to the overall design, the Group also uses the following green architectural materials and equipment for most of its construction projects, with a view to saving energy and protecting the environment:

- **Environmental-friendly and Thermal Insulation Materials:** glass walls of the Building are made of LOW-E glasses, which can effectively block the transmission of heat from the sun and the penetration of ultraviolet rays. Thermal insulation materials have been used to construct the building roof, floors, and other structures. All these measures can indirectly reduce the indoor temperature while saving energy with less air-conditioning.

- **Solar Energy:** solar panels and solar hot water supply system have been 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 are engineered to minimise transmission losses.

- **LED Lighting:** LED lamps have been installed for the underground garage of the Building, various areas within the commercial shops/offices, and the basements of the Industrial Park to replace traditional fluorescent lamps. LED lamps can save more than 60% of electricity in comparison with traditional lamps at the same wattage level, which have enabled the Group to reduce its overall electricity consumption.

- **Environmental-friendly air conditioning system:** compared with regular models, the water-cooled and heat recovery design of the air conditioning in the Building can save 10% to 20% electricity consumption every year. Further, 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 has helped reduce the adverse impact to the environment.

SKYWORTH STAFF AND DEVELOPMENT

Values of Skyworth

Skyworth recognises its employees as the most valuable asset and the primary force in sustaining its business growth. In terms of talent management, we follow the principles of diversity and merit, with a view to attracting a wide range of excellent talents to the Skyworth family. The Group also attaches great importance to employee development, and encourages its staff members to receive further education, to propose innovative ideas and make improvement. Meanwhile, Skyworth is committed to nurturing a healthy, diversified, fair, caring and inclusive workplace, through which it motivates staff members to put into practice the spirit of mutual help.

Staff of Skyworth

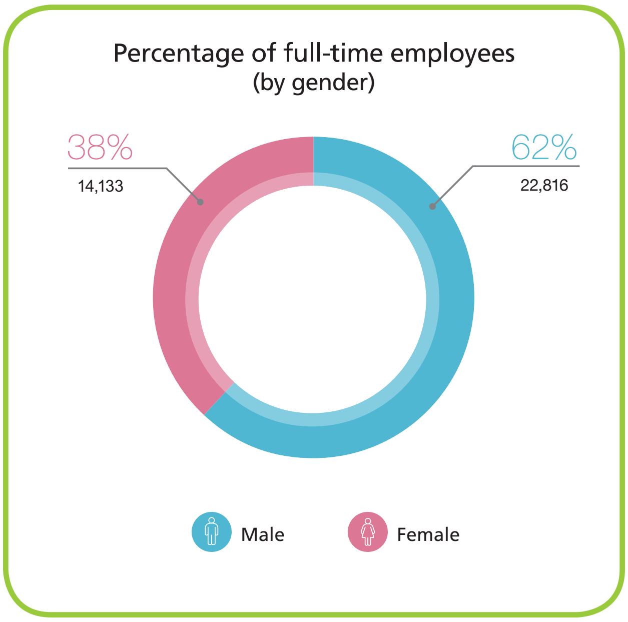
Human resources analysis

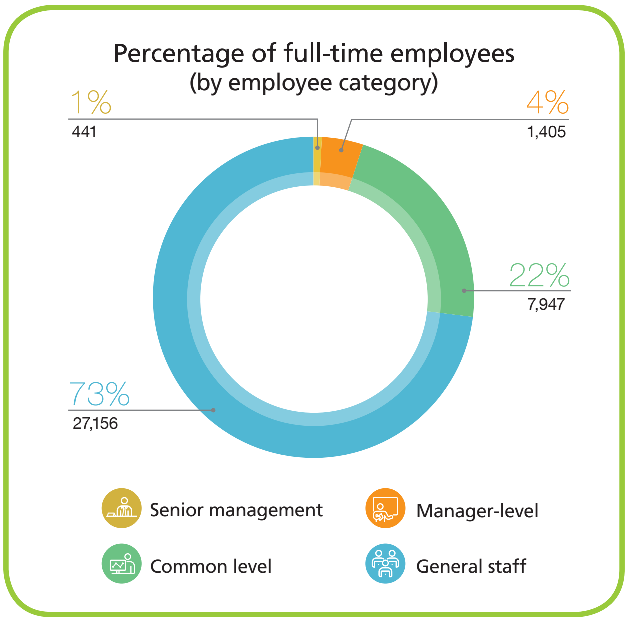
The current success of Skyworth would not have been achieved without the concerted efforts and continuous innovation of its staff at all levels. Within our team, senior management and manager-level employees are responsible for leading the Group towards sustainable development, while our common level and general staff are the driving force of the Group, as they not only produce electronic products and provide customer services, but also take on the mission of helping Skyworth build its brand awareness and practicing the principle of "dedication to finer products". As at 31 March 2018, Skyworth employed a total of over 36,000 full-time employees to serve different posts in the Group, including, among others, its management team, innovation development team, frontline manufacturing operation team, sales team and administration team.

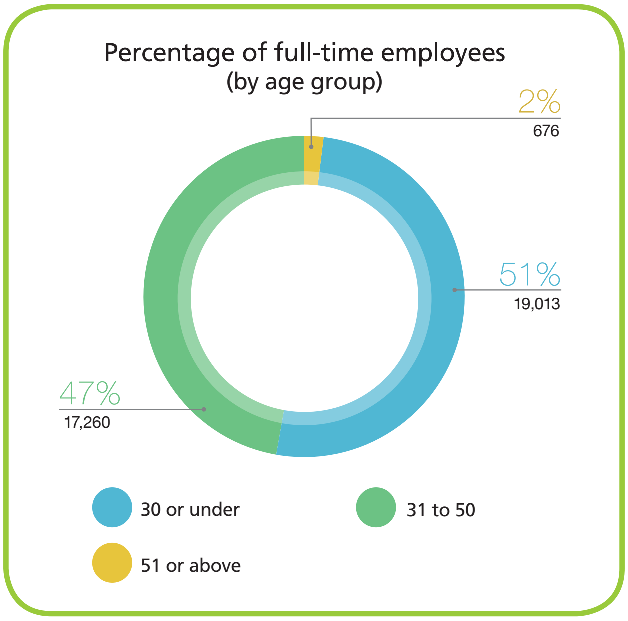
College Students' Camping

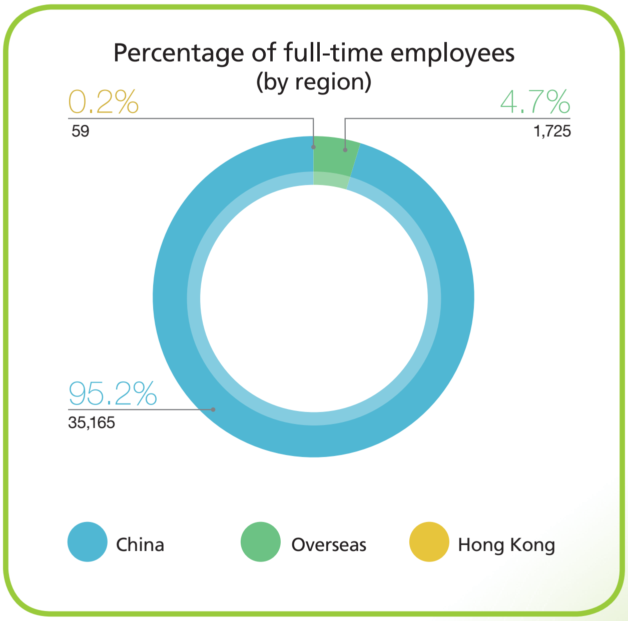
Skyworth Staff Trip

The Group is committed to building a youthful and energetic team of employees. Over 50% of its staff are aged 30 or under, while around 47% of the remaining employees are aged between 31 and 50, only 2% of its staff are aged over 50. Geographically speaking, approximately 95% of its staff are based in operating and manufacturing locations of provinces and cities across China, while the rest are stationed in the Hong Kong head office or overseas subsidiaries, including a number of Southeast Asian countries (e.g. the Philippines, Indonesia, Thailand, Vietnam and Malaysia) and markets in Europe and America (e.g. Germany, the Netherland, France, Italy, the United Kingdom and the United States). Overall, the ratio of male to female employees of the Group is approximately 1.6:1.









Human Resources Policy and Staffing Policy

The Group has established a set of comprehensive human resources policies and well-structured human resources mechanism in compliance with the Labour Law of China, the Employment Ordinance of Hong Kong and relevant rules and regulations of other relevant jurisdictions. The Group has issued the "Social Employment and Staffing Policy", with comprehensive coverage over human resources matters related to recruitment, staff movement, salary adjustment, promotion, resignation and equal employment opportunities. The Company operates in accordance with the latest national laws and regulations, and the Company will also regularly update relevant systems (e.g. systems in respect of attendance). Relevant policies include but not limited to the following areas:

- Promotion, salary review and redeployment are based on employees' individual performance.
- 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.
- Workers' wages, overtime payments and related benefits are made in accordance with local minimum wage (or above) of applicable jurisdictions.
- Holidays and statutory paid leaves are granted in compliance with the legal requirements of applicable jurisdictions.

Rewards and Recognitions

Skyworth looks forward to working with positive, self-driven employees. It encourages them to take on challenges, stay motivated and keep making improvements. The Group has developed a performance appraisal system where the corporate values and beliefs are incorporated as the key criteria to assess employees' daily assignments and achievements. In addition, for the purpose of recognising high-performing talents, Skyworth has also put in place its own incentive mechanism where the Company rewards employees in various forms for their outstanding performance, including housing incentive fund, interest-free loan and award for continuous contribution.

Each year, the Group also hosts the "People Touching Skyworth Annual Award" after the lunar new year, and organises an award ceremony at "Skyworth's Birthday" on 8 April. Through these events, we expect to share emotive stories about Skyworth staff who work diligently in their own fields, as a way of showing our appreciation and recognition.

Labour Standards

To prohibit the use of child and forced labour, Skyworth has clearly prohibited any form of child and forced labour in its "Social Employment and Staffing Policy", which is controlled and monitored by the Group Human Resources Department. In addition to internal control, the Group also updates information about the Company's employees on a monthly basis and uploads cases involving forced labour to a platform that features information related to labour and employment issues of enterprises, for the review of functional departments of the PRC government at various levels.

In the event of any non-compliance, the Group will take immediate corrective actions against the employee(s) involved in accordance with the requirements of current rules, and deal with issues related to their relocation and compensation in a proper manner. We also provide employees with targeted training on labour standards on a regular basis, so as to prevent the recurrence of similar incidents in the future. Skyworth also evaluates all check points in the work procedures, remedies management loopholes identified in any non-compliance, and develops new requirements and guidance based on actual needs.

During the Reporting Year, 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, and it did not record any significant non-compliance with labour-related laws and regulations.

Occupational health and safety at Skyworth

Safeguarding employee health and safety is of top priority for Skyworth in fulfilling its social responsibilities. As a high-tech enterprise focusing on the development and production of electronic products, the Group is committed to nurturing a healthy, safe and comfortable workplace where its employees can dedicate themselves to their work. The Group has developed business operational guidelines in respect of each business unit for reference and application of its employees. In addition, Skyworth continues to upgrade production equipment and machinery used by each of its business units, with a view to ensuring that all facilities comply with national standards on health and safety, and to minimising safety hazards to its employees. Skyworth also formed a Group Committee on Safe Production Management in August 2017, which is responsible for leading business units to implement plans and policies on safe production, and to execute various measures to ensure safety and address hazards.

Apart from production safety, Skyworth also directs focused attention to the livelihood and health of its employees. Since most employees working in factories located in China come from different provinces across the country, the Group recognises that a sense of belonging is essential for staff retention. To achieve that and as part of our continuous improvement programmes for their living environment, we continuously upgrade staff dormitories, canteens and recreational facilities, with a view to improving their quality of life and welfare. The Group also encourages 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, the Group organised a wide range of sports events to enhance job satisfaction among staff members and relieve stress, such as basketball, football, table tennis and badminton contests. Employees responded positively to these leisure activities as they helped enrich communication among colleagues and derive a stronger sense of belonging towards the Group.

During the Reporting Year, the Group did not record any work-related fatality case, and it was not aware of any significant violation of laws and regulations relating to occupational health and safety, including the "Production Safety Law of the People's Republic of China" and the "Labour Law".

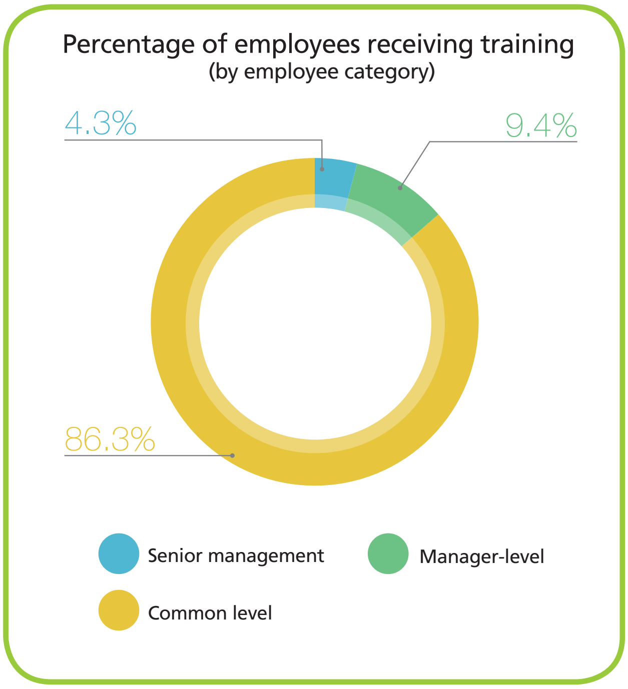
Parent-child activity

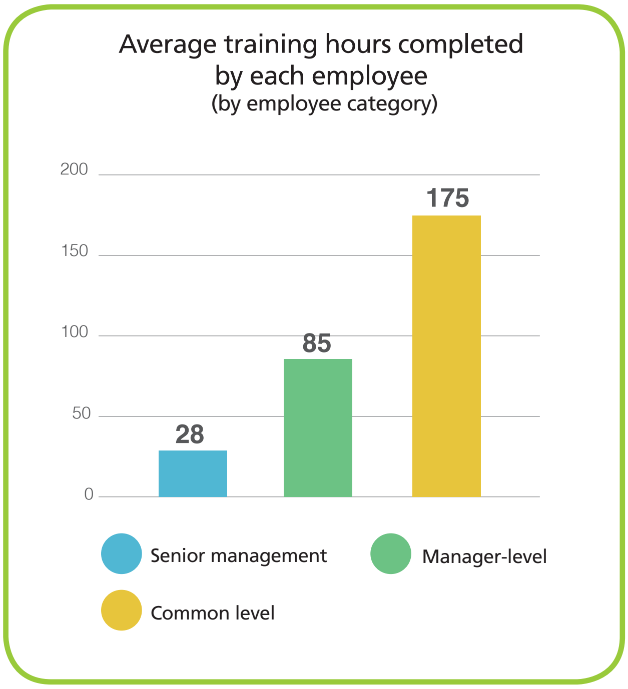
International Mountain Marathon

Training and development at Skyworth

Skyworth is aware that the continuous training and development of its employees play a vital role in the Group's long-term development, therefore, we allocate considerable resources to talent development, so as to help them realise their potentials and build a unique learning mode at Skyworth. The College of Skyworth was established in 2004, and we invite inhouse and external experts to provide customised training courses to our senior management personnel, technical staffs and frontline operators. Meanwhile, in addition to encouraging directors to attend training courses, we also invite professional lecturers to deliver seminars on topics such as the role and responsibilities of a directors, regulatory requirements and corporate governance, with a view to helping them perform their duties as directors.

Depending on their respective roles, staff members may attend relevant training courses in areas ranging 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 techniques, and sales and relationship management, etc. We also update our professional training programmes based on market trends, so as to ensure that our employees are informed of the latest information, technologies and techniques. In order to encourage our employees to pursue self-improvement, the Group also provides education allowances and tuition reimbursements to employees who have pursued continuous learning and education programmes that are relevant to their duties.





SOCIAL RESPONSIBILITIES OF SKYWORTH

Community contributions

Skyworth is well aware that the success of business is closely correlated with community prosperity. As a member of the community, we actively participate in charity undertakings. During the reporting period, as part of its efforts to give back to the community, Skyworth organised staff members to plant trees and visit staff who were hospitalised. Further, the Group also took advantage of its competitive strengths as an industrial practitioner to give focused support to the development of educational and space industry, with a view to contributing to the prosperity of community.

Educational support

In this smart era, technology not only brings convenience to the society, but also delivers knowledge and education to every part of the society through a remote approach. In order to ensure equal education opportunities for the youth, and to support students in mountainous regions in a sustainable and effective manner, we initiated the mode of "internet + educational support" in collaboration with a number of universities. To help improve the education standards in poverty-stricken areas, Skyworth donated TV sets and cameras for educational purposes with an aggregate value of RMB1.724 million.

A Strategic Partner of China Aerospace of China Space Foundation

Internet and educational support

Volunteering initiatives and charitable donations

During the year, the Group visited children at Bao An Social Welfare Centre and brought them necessities. The Group also took part in the "Two Areas of Learning and One Area of Practising, Fathers' Day Visit to Renda Villa". The highlight of this event was a visit to 30 Chinese Communist Party members from the older generations, during which young communists had their minds elevated as they listened to their predecessors reminiscing about the spirit of the Red Army in the revolution era.

Guided by a development approach based on technological innovation, Skyworth firmly believes that technology will shape the future of our nation. As a Chinese brand famous for its innovation, Skyworth has become a Strategic Partner of China Aerospace of China Space Foundation, demonstrating its full support for China's space exploration. Skyworth intends to follow the spirit of the Chinese space industry while enhancing technological development and improving product quality, so as to play a leading role in the upgrading and further development of China's manufacturing capabilities.

OPERATING PRACTICES AND PRODUCT QUALITY OF SKYWORTH

Supply chain management – TV products and digital set-top boxes products

Aimed at nurturing and maintaining the overall stability of its supply chain and assessing related environmental and social risks, the Group has developed extensive planning procedures for supplier development, so as to ensure the development of strategies and schemes for its medium to long-term planning and control the number of suppliers. When it comes to the selection of suppliers, the Group adheres to 3 core principles: 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. Throughout the collaboration with suppliers, leader of the supply chain appraises supplier performance on a monthly basis in terms of delivery, quality, cost and services; the results of which will serve as reference for the allocation of procurement proportion and the phasing-out of suppliers. In the case of an emergency in supplier management, departments concerned within the supply chain structure are required to deal with the qualification of suppliers in accordance with internal standards and procedures, and to perform regular on-site verification in accordance with the supply review scheme under the quality system.

Total number of domestic and overseas suppliers

	TV business		Digital set-top boxes business	
	2017/2018	2016/2017	2017/2018	2016/2017
Suppliers (by region)	Number of suppliers	Number of suppliers	Number of suppliers	Number of suppliers
China	528	474	197	226
Overseas	109	99	35	36

Product responsibility

Driven by its mission to "honour the commitment towards creating a healthy, technology-empowered life for mankind", Skyworth has developed an excellent and stringent quality management system. The product responsibility policies of the Group have been developed in accordance with laws and regulations relating to product and services in each of the countries and jurisdictions in which the Group operates. Responsible departments have set up internal guidances to record, monitor and review product functions and presentations throughout the production processes following standardised working procedures, and to ensure that all TV and digital set-top boxes products comply with local and international safety standards.

Aiming to become an industry leader, the Group actively invests resources and pays particular attention to quality control. Throughout the production process, our quality management department has specifically developed certain test items, such as safety test, high/low temperature test, energy efficiency test and stand-by power, where our products are required to pass requirements more stringent than national or industry standards. The Company has set up a few corporate indicators which are more stringent than national standards, including radioactivity test, malfunction test, impact test, fire-resistance requirements, storage test at high/low temperatures, energy efficiency test and stand-by power. Skyworth is dedicated to offering superior experience to its customers with its professionalism and commitment through the establishment of a strong brand in terms of product quality management.

Production process and quality management

The Company adheres to a stringent quality management system, it develops new products based on customer needs and market trends to lead technological advancement in the sector. Furthermore, the Company implements strict supply chain management policies to ensure quality, integrity, synergy and economies of scale with respect to suppliers. Refined production techniques and smart systems and equipment are adopted in the production process to increase productivity. As part of delivery control, a mode that integrates online and offline operations is applied to examine quality of finished products. Quality post-sales services are also provided after the sale.

Quality Management Systems for the Production Process

The TV business and digital set-top boxes business have established relevant procedures for handling complaints concerning products and services, or product recall. Once a complaint is received, a complaint specialist will be designated to follow through and implement appropriate service compensation mechanisms. Complaint specialists are also required to analyse and summarise complaints on a monthly basis and provide feedback to relevant departments to facilitate clear and noticeable improvements. As for product recall, for the purpose of environmental protection, there is a process for proper disposal of all recycled products where disposing scrapped products irresponsibly is prohibited.

Indicators of product responsibility for the TV business and digital set-top boxes business during the Reporting Year 2017/2018 are disclosed in the following tables.

TV business

	2017/2018		2016/2017	
	Number	Percentage (%)	Number	Percentage (%)
Total products sold/delivered	13,587,449	–	13,945,133	–
Number of products which cannot be used normally due to safety and health reasons	200	0.00%	228	0.0016%
Number of complaints	4,030	0.03%	15,733	0.1100%

Digital set-top boxes business

	2017/2018		2016/2017	
	Number	Percentage (%)	Number	Percentage (%)
Total products	36,827,082	–	30,040,615#	–
Number of products which cannot be used normally due to safety and health reasons	18	0.00005%	14#	0.00005%#
Number of complaints	77	0.00021%	81	0.00027%#

Note #: Comparison with the 2016/2017 Annual Report. The information has been updated in the current financial year.

In addition, the Group also puts a strong emphasis on the protection of personal information and customer privacy. Internal guidelines are published for the 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 access to customer related information. Regulations on matters relating to advertising and labelling are also properly complied with and applied by the sales department.

There was no material case of non-compliance with the laws and regulations on product safety, advertising, labelling and privacy across the Group during the Reporting Year 2017/2018.

Patents management

Skyworth attaches great importance to matters related to intellectual property, and strives to safeguard, protect and manage its intellectual property rights. The Group Planning and Technology Management Department is responsible for the management of all internal and external non-litigation matters of the Group involving intellectual properties, which mainly include formulation of the intellectual property strategy, goals and guidelines of the Company, as well as the application, safeguard, use of and negotiations for licensing related to intellectual property rights of various industrial companies of the Group, and providing assistance to the Group Legal and Supervision Department in handling litigation matters involving intellectual property rights.

In addition, the Intellectual Property ("IP") Department performs researches for patents related to the Group's products in order to avoid infringement on other manufacturers' IP rights as far as possible. Further, the IP Department conducts internal review on existing IP policies and practices from time to time for the timely assessment of IP infringement risks during the research and development process. It also monitors IP rights for research and development activities in real time and conducts alternative analysis or circumvention design on alleged infringing products, especially for those involving standard-essential patents, with an aim to minimise or lower the risk of IP infringement. Concurrently, the Group's IP management incorporates confidentiality terms into contracts that it enters into with third parties, providing further security for its own patents and core technology.

During the Reporting Year 2017/18, there was no material case of non-compliance with the laws and regulations ruled by the court relating to intellectual properties.

Anti-corruption

The Group has stringent internal guidelines and code of conduct that ensure explicit understanding by employees of the provisions on 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 has further introduced the whistle-blower policy and relative rewards guidelines. Independent reporting channels have also been set up to accept reports of any misconduct found, which would be investigated by the internal audit and legal departments.

During the Reporting Year 2017/18, there was no material case of non-compliance with the anti-corruption laws and regulations.

Awards and recognitions of Skyworth

1.1.2 Awards and recognitions received by Skyworth during 2017/2018

Name of Corporate Award	Presented by
National Role Model Enterprise of Integrity – Product and Service Quality	China Association for Quality Inspection
Five-star Quality of Service Award	China Association for Quality Promotion
Title of "Advanced Entity in Shenzhen City"	Shenzhen Municipal People's Government under Shenzhen Municipal Committee of CPC
Top 100 of Five-star Service 2017	China General Chamber of Commerce China Foundation of Consumer Protection National Product After-sales Service Assessment Committee
Top 10 After-sales Service Providers in China (effective from 17 September 2017 to 16 September 2019)	China General Chamber of Commerce China Foundation of Consumer Protection National Product After-sales Service Assessment Committee
Top 10 Call Centres in China (effective from 17 September 2017 to 17 September 2019)	China General Chamber of Commerce China Foundation of Consumer Protection National Product After-sales Service Assessment Committee
Customer Satisfaction Enterprise in Electronic Information Industry of China 2017	China Quality Management Association for Electronics Industry
Advanced Enterprises for Quality Commercial Service	China Consumer Journal
2017 Artificial Intelligence Application Award	China Video Industry Association
2017 Audio Quality Award	China Video Industry Association
2017 Successful Brand Award	China Video Industry Association
OLED Technology Innovation Award	2017 PChome Product Selection
2017 Artificial Intelligence Technology Innovation Award	Consumer Electronics Survey Office of China Electronics Chamber of Commerce
Top Ten TVs 2017	Consumer Electronics Survey Office of China Electronics Chamber of Commerce
Dingdian Cup 2017 China Electronics Belt and Road Leading Brand	Association Enterprise Resource Integration Service Centre of China Electronics Chamber of Commerce
2017 User-Friendly TV Award	Vertical Media – Yesky.com（天極網）
2018 Innovative Product Award	China Video Industry Association
2017-2018 Popular Household Appliance Product (Flat Panel TV category) on E-Commerce Platforms in China	Research Institute of Ministry of Industry and Information Technology; China Electronics News
2017-2018 Leading Brand of Global Consumer Electronics	International Data Group (IDG)
Colour TV Brand in China Awards	China Video Industry Association
2017 Advanced Unit for Fire Safety	People's Government of Yushui District, Nanjing
High-tech Enterprise Certificate	Provincial Department of Science and Technology of Jiangsu

Conclusion

As a responsible corporate citizen, Skyworth is committed to improving its overall operations from social and environmental perspectives, and is fully dedicated to honouring the commitment towards creating a healthy, technology-empowered life for mankind, all the while making our best effort to protect the environment and demonstrate community care as a way to reciprocate the support of our employees, consumers and other stakeholders. Skyworth is well aware of the global warming crisis and that regulators will be strengthening relevant supervisory systems to align with an enhanced focus on environmental protection, in order to reduce the major environmental impact generated by corporate operations. Skyworth will strive to follow the trend of environmental protection in the future, reduce the overall adverse impact on the environment in the course of production or sales, and integrate the philosophy of sustainability into our operations and management. Moving forward, the Group will endeavour to progress further in our sustainability journey by actively launching 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 98 to 216, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 the 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. As disclosed in note 27 to the consolidated financial statements, inventories of the Group as at 31 March 2018 comprised of raw materials, work in progress and finished goods amounting to HK$2,172 million, HK$387 million and HK$3,927 million respectively. As further disclosed in note 11 to the consolidated financial statements, an expense of HK$75 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 2018. 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: • Obtaining an understanding of management's process of carrying out the assessment of write-down of inventories; • Evaluating the basis of write-down for inventories assessed by management; • 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; • Evaluating the reasonableness of management's estimates for cost to completion and tracing to the supporting documents, on a sample basis; • Obtaining an understanding of how management review usability and saleability of inventories by product types for identifying slow moving inventories; and • Testing the integrity of the inventory ageing report used as a basis to calculate the provision.

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. As disclosed in notes 4 and 31 to the consolidated financial statements, the carrying amount of trade receivable is HK$8,732 million (net of allowance for doubtful debts of HK$217 million). An impairment loss of HK$35 million was recognised in profit or loss on trade receivables during the year ended 31 March 2018. 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: • Obtaining an understanding of management's process of carrying out the impairment assessment of trade receivables; • Evaluating the basis of impairment of trade receivables assessed by management; • Evaluating the reasonableness of management's analysis of recoverability of trade receivables with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers; • Testing the subsequent settlement of trade receivables, on a sample basis, to the bank receipts; and • Testing the integrity of the ageing report used as a basis to calculate the provision.

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 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 Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

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

	NOTES	2018	2017
Revenue	5	**46,260**	42,845
Cost of sales		**(38,550)**	(34,278)
Gross profit		**7,710**	8,567
Other income	7	**1,342**	1,535
Other gains and losses	8	**(300)**	200
Selling and distribution expenses		**(4,562)**	(5,091)
General and administrative expenses		**(2,912)**	(2,864)
Finance costs	9	**(379)**	(359)
Share of results of associates		**12**	–
Share of results of joint ventures		**(3)**	(4)
Profit before taxation		**908**	1,984
Income tax expense	10	**(320)**	(455)
Profit for the year	11	**588**	1,529
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**693**	(1,181)
Cumulative exchange loss reclassified to profit or loss upon disposal of a subsidiary	46(c)	**–**	(1)
Fair value (loss) gain on available-for-sale financial assets, net of tax		**(19)**	62
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale	23	**(16)**	(5)
Reclassification adjustment upon impairment of available-for-sale financial assets	23	**–**	4
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**1,023**	–
Other comprehensive income (expense) for the year		**1,681**	(1,121)
Total comprehensive income for the year		**2,269**	408
Profit for the year attributable to:			
Owners of the Company		**541**	1,310
Non-controlling interests		**47**	219
		588	1,529
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**1,767**	540
Non-controlling interests		**502**	(132)
		2,269	408
Earnings per share (expressed in Hong Kong cents)			
Basic	15	**17.92**	44.64
Diluted	15	**16.28**	44.14

Consolidated Statement of Financial Position

At 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	NOTES	2018	2017
Non-current Assets			
Property, plant and equipment	16	**7,910**	6,303
Deposits for purchase of property, plant and equipment		**247**	262
Investment properties	17	**5**	5
Prepaid lease payments on land use rights	18	**3,014**	818
Deposits for acquisition of land use rights		**–**	1,883
Goodwill	19	**526**	521
Intangible assets	20	**117**	116
Interests in associates	21	**85**	79
Interests in joint ventures	22	**49**	43
Available-for-sale investments	23	**1,440**	1,268
Other receivables	31	**–**	10
Loan receivables	24	**2**	32
Finance lease receivables	25	**–**	68
Deferred tax assets	26	**496**	312
		13,891	11,720
Current Assets			
Inventories	27	**6,486**	6,666
Stock of properties	28	**1,403**	1,048
Prepaid lease payments on land use rights	18	**83**	29
Investments in debt securities	29	**114**	746
Available-for-sale investments	23	**102**	1,052
Held-for-trading investments	30	**40**	–
Trade and other receivables, deposits and prepayments	31	**11,130**	7,426
Bills receivable	32	**6,750**	6,477
Loan receivables	24	**3,334**	2,635
Finance lease receivables	25	**173**	91
Amounts due from associates	33	**32**	2
Prepaid tax		**50**	62
Pledged bank deposits	34	**417**	290
Restricted bank deposits	34	**641**	479
Bank balances and cash	34	**9,095**	4,336
		39,850	31,339
Current Liabilities			
Trade and other payables	35(a)	**12,533**	10,921
Bills payable	36	**6,793**	5,409
Derivative financial instruments	37	**3**	7
Provision for warranty	38	**171**	164
Amounts due to associates	33	**29**	87
Amount due to a non-controlling shareholder of a subsidiary	33	**75**	102
Tax liabilities		**113**	125
Borrowings	39	**7,687**	4,979
Deferred income	41	**312**	247
		27,716	22,041
Net Current Assets		**12,134**	9,298
Total Assets less Current Liabilities		**26,025**	21,018

Consolidated Statement of Financial Position

At 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	NOTES	2018	2017
Non-current Liabilities			
Other financial liabilities	35(b)	**202**	230
Provision for warranty	38	**82**	73
Borrowings	39	**1,635**	3,013
Corporate bonds	40	**2,481**	–
Deferred income	41	**804**	726
Deferred tax liabilities	26	**192**	163
		5,396	4,205
NET ASSETS		**20,629**	16,813
Capital and Reserves			
Share capital	42	**306**	305
Share premium		**3,599**	3,527
Share option reserve		**223**	206
Share award reserve		**–**	33
Shares held for share award scheme		**(134)**	(164)
Investment revaluation reserve		**26**	61
Surplus account		**38**	38
Capital reserve		**1,483**	1,402
Exchange reserve		**920**	(341)
Accumulated profits		**12,146**	10,412
Equity attributable to owners of the Company		**18,607**	15,479
Non-controlling interests		**2,022**	1,334
		20,629	16,813

The consolidated financial statements on pages 98 to 216 were approved and authorised for issue by the board of directors on 12 June 2018 and are signed on its behalf by:

LAI WEIDE
DIRECTOR

LIU TANGZHI
DIRECTOR

For the year ended 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company											Attributable to non-controlling interests			
	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	Sub-total	Share award scheme reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Balance at 1 April 2016	295	2,995	221	55	(206)	–	38	1,238	489	9,967	15,092	–	1,608	1,608	16,700
Profit for the year	–	–	–	–	–	–	–	–	–	1,310	1,310	–	219	219	1,529
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(830)	–	(830)	–	(351)	(351)	(1,181)
Cumulative exchange loss reclassified to profit or loss upon disposal of a subsidiary *(note 46(c))*	–	–	–	–	–	–	–	–	(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)	(132)	408
Purchase of shares for unvested shares under the share award scheme of the Company *(note 45)*	–	–	–	–	(7)	–	–	–	–	–	(7)	–	–	–	(7)
Recognition of equity-settled share-based payments *(note 45)*	–	–	21	29	–	–	–	–	–	–	50	–	–	–	50
Transfer to capital reserve	–	–	–	–	–	–	–	164	–	(164)	–	–	–	–	–
Issue of shares under share option scheme of the Company	2	114	(36)	–	–	–	–	–	–	–	80	–	–	–	80
Issue of shares under scrip dividend scheme	8	418	–	–	–	–	–	–	–	–	426	–	–	–	426
Shares vested under the share award scheme of the Company	–	–	–	(47)	49	–	–	–	–	(2)	–	–	–	–	–
Lapse of vested share awards	–	–	–	(4)	–	–	–	–	–	4	–	–	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	–	(701)	(701)	–	–	–	(701)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	2	2	–	64	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	29	26
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(207)	(207)	(207)
Acquisition of additional interests in subsidiaries *(Note (d))*	–	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)	(2)
Disposal of a subsidiary *(note 46(c))*	–	–	–	–	–	–	–	–	–	–	–	–	(26)	(26)	(26)
Balance at 31 March 2017	305	3,527	206	33	(164)	61	38	1,402	(341)	10,412	15,479	–	1,334	1,334	16,813

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company											Attributable to non-controlling interests			
	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	Sub-total	Share award scheme reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Profit for the year	–	–	–	–	–	–	–	–	–	541	541	–	47	47	588
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	560	–	560	–	133	133	693
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	–	701	–	701	–	322	322	1,023
Fair value loss on available-for-sale financial assets, net of tax	–	–	–	–	–	(19)	–	–	–	–	(19)	–	–	–	(19)
Cumulative gain reclassified to profit or loss upon disposal of investments classified as available-for-sale	–	–	–	–	–	(16)	–	–	–	–	(16)	–	–	–	(16)
Total comprehensive (expense) income for the year	–	–	–	–	–	(35)	–	–	1,261	541	1,767	–	502	502	2,269
Recognition of equity-settled share-based payments *(note 45)*	–	–	18	8	–	–	–	–	–	–	26	17	–	17	43
Transfer to capital reserve	–	–	–	–	–	–	–	81	–	(81)	–	–	–	–	–
Issue of shares under share option scheme of the Company	–	3	(1)	–	–	–	–	–	–	–	2	–	–	–	2
Issue of shares under scrip dividend scheme	1	69	–	–	–	–	–	–	–	–	70	–	–	–	70
Shares vested under the share award schemes of the Company	–	–	–	(34)	30	–	–	–	–	4	–	–	–	–	–
Lapse of vested share awards	–	–	–	(7)	–	–	–	–	–	7	–	–	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	–	(152)	(152)	–	–	–	(152)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	91	91	91
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note (c))*	–	–	–	–	–	–	–	–	–	1,302	1,302	–	205	205	1,507
Other financial liabilities arising on disposal of partial interest in subsidiaries *(note 35(b))*	–	–	–	–	–	–	–	–	–	–	–	–	(59)	(59)	(59)
Release of other financial liabilities to non-controlling interests *(note 35(b))*	–	–	–	–	–	–	–	–	–	113	113	–	4	4	117
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(71)	(71)	(71)
Acquisition of additional interests in subsidiaries *(Note (d))*	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Balance at 31 March 2018	306	3,599	223	–	(134)	26	38	1,483	920	12,146	18,607	17	2,005	2,022	20,629

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 2018, the Company disposed of 12.6% equity interest of Shenzhen Coocaa Network Technology Company Limited ("Shenzhen Coocaa") for a consideration of RMB1,260 million (equivalent to approximately HK$1,507 million). The difference between the consideration of HK$1,507 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$205 million, amounting to HK$1,302 million, is credited to accumulated profits.*

(d) *During the year ended 31 March 2018, the Group acquired 10% equity interest in 宜春創維置業有限公司 from a non-controlling shareholder for a consideration of HK$1 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 2017, the Group acquired 20% equity 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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	2018	2017
OPERATING ACTIVITIES		
Profit before taxation	**908**	1,984
Adjustments for:		
Amortisation of intangible assets	**3**	1
Depreciation of property, plant and equipment	**444**	397
Dividend income	**(166)**	(35)
Finance costs	**379**	359
(Gain) loss from changes in fair value of derivative financial instruments	**(4)**	7
Gain on bargain purchase	**–**	(99)
Gain on disposal of a subsidiary	**–**	(44)
Gain on disposal of available-for-sale investments	**(76)**	(5)
Government grants related to assets recognised	**(107)**	(86)
Impairment loss recognised in respect of trade receivables	**35**	15
Impairment loss recognised in respect of available-for-sale investments	**–**	4
Impairment loss recognised in respect of finance lease receivables	**5**	–
Impairment loss recognised in respect of loan receivables	**42**	72
Impairment loss recognised in respect of other receivables	**8**	–
Interest income from available-for-sales investments	**(9)**	(21)
Interest income from bank deposits	**(59)**	(70)
Interest income from investments in debt securities	**(42)**	(246)
Interest income from loan receivables	**(83)**	(62)
Loss on disposal of property, plant and equipment	**–**	25
Provision for warranty	**289**	301
Release of prepaid lease payments on land use rights	**103**	25
Share-based payment expenses	**43**	50
Share of results of associates	**(12)**	–
Share of results of joint ventures	**3**	4
Write-down of inventories	**75**	117
Operating cash flows before movements in working capital	**1,779**	2,693
Decrease (increase) in inventories	**1,025**	(1,496)
Increase in stock of properties	**(223)**	(344)
(Increase) decrease in held-for-trading investments	**(40)**	15
Increase in trade and other receivables, deposits and prepayments	**(2,441)**	(622)
Increase in bills receivable	**(921)**	(793)
Increase in amounts due from associates	**–**	(2)
Decrease in finance lease receivables	**8**	421
Increase in trade and other payables	**151**	1,150
Increase in bills payable	**760**	1,208
Decrease in provision for warranty	**(297)**	(290)
(Decrease) increase in amounts due to associates	**(69)**	52
Increase in deferred income	**119**	25
Cash (used in) generated from operations	**(149)**	2,017
Hong Kong income tax paid	**(14)**	(14)
Overseas income tax paid	**(44)**	(10)
PRC income tax paid	**(372)**	(729)
Land appreciation tax paid	**–**	(8)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(579)**	1,256

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

Amounts expressed in millions of Hong Kong dollars

	NOTES	2018	2017
INVESTING ACTIVITIES			
Dividend received		**32**	35
Interest received		**180**	1,134
Purchase of property, plant and equipment		**(1,606)**	(1,495)
Proceeds on disposal of property, plant and equipment		**42**	32
Addition to prepaid lease payments on land use rights		**(127)**	(16)
Deposits for acquisition of land use rights		**–**	(1,883)
Purchase of intangible assets		**(3)**	(4)
Investments in available-for-sale investments		**(244)**	(1,838)
Proceeds on disposal of available-for-sale investments		**908**	1,723
Investments in debt securities		**(115)**	(98)
Proceeds on redemption of investments in debt securities upon maturity		**746**	2,706
Advance to an associate		**(30)**	–
Loan advanced		**(3,254)**	(2,664)
Repayments of loan received		**2,863**	699
Advances to staffs		**(283)**	(282)
Repayments from staffs		**88**	255
Government grants received related to assets		**131**	161
Placement of pledged bank deposits		**(537)**	(531)
Withdrawal of pledged bank deposits		**446**	704
Placement of restricted bank deposits		**(560)**	(109)
Withdrawal of restricted bank deposits		**458**	–
Net cash outflow from acquisition of subsidiaries	35(a) & 46(b)	**(68)**	(65)
Net cash inflow (outflow) from disposal of a subsidiary	46(c)	**10**	(575)
NET CASH USED IN INVESTING ACTIVITIES		**(923)**	(2,111)
FINANCING ACTIVITIES			
Dividends paid		**(180)**	(380)
Interest paid		**(280)**	(359)
Amounts received for restricted share incentive scheme of a subsidiary		**239**	–
Issue of shares through exercise of share options of the Company		**2**	80
Purchases of shares for unvested shares under share award scheme		**–**	(7)
Contributions from non-controlling interests		**91**	66
Acquisition of additional interests in subsidiaries		**(1)**	(2)
Proceeds from partial disposals of subsidiaries		**1,507**	25
New borrowings raised		**8,804**	9,749
Repayments of borrowings		**(6,670)**	(8,406)
New corporate bonds raised, net of transaction costs		**2,330**	–
NET CASH FROM FINANCING ACTIVITIES		**5,842**	766
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,340**	(89)
CASH AND CASH EQUIVALENTS AT 1 APRIL		**4,336**	4,621
Effect of foreign exchange rate changes		**419**	(196)
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash		**9,095**	4,336

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 57, 21 and 22 respectively.

2. APPLICATION OF NEW AND REVISED 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 HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

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

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

Amendments to HKAS 7 *Disclosure Initiative* (Continued)

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in note 52. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 52, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and Interpretations 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]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
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 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
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 2021*

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

Except for the new and revised HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and revised HKFRSs and Interpretations 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 financial assets are measured at their fair value at 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 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loan receivables and investments in debt securities carried at amortised cost as disclosed in notes 24 and 29 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

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

New and revised HKFRSs and Interpretations in issue but not yet effective (Continued)

HKFRS 9 *Financial Instruments* (Continued)

Classification and measurement: (Continued)

- Other financial instruments classified as available-for-sale investments carried at fair value as disclosed in note 23: the contractual terms of other financial instruments give rise to cash flows on specified dates that are not payments of principal and interest on the principal outstanding. The Group will continue to measure other financial instruments at fair value, with subsequent fair value gains or losses to be recognised in profit or loss upon the application of HKFRS 9;

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 23: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investment revaluation reserve of HK$26 million related to these available-for-sale investments will be transferred to accumulated profits at 1 April 2018;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 23: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair value gains or losses related to these securities, representing the differences between cost less impairment and fair value would be adjusted to accumulated profits as at 1 April 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

New and revised HKFRSs and Interpretations in issue but not yet effective (Continued)

HKFRS 9 *Financial Instruments* (Continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact on the opening accumulated profits balance at 1 April 2018.

Based on the assessment by the directors of the Company, the directors of the Company do not anticipate that the application of HKFRS 9 in the future will have other material impact in the Group's future financial position and performance.

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

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

New and revised HKFRSs and Interpretations in issue but not yet effective (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

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 result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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, 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 by the Group.

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

New and revised HKFRSs and Interpretations in issue but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

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 2018, the Group has non-cancellable operating lease commitments of HK$337 million as disclosed in note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$16 million and refundable rental deposits received of HK$59 million as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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, 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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.

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. 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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 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 (including goodwill) is tested for impairment in accordance with HKAS 36 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 to the extent that the recoverable amount of the investment subsequently increases.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, 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.

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 (or a cash-generating unit) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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 51(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 and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investment whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable 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.

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.

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 loan receivables, investments in debt securities, 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan 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 and loan receivables are 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 for 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 51(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, corporate bonds 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.

The amount recognised as provision for warranty is 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.

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.

Repairs and maintenance income are recognised when services are provided.

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

Interest income is accrued on a time apportionment 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, 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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. HK$), 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.

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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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 share premium. When 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)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share award

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 revisits 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 2018, the carrying amount of inventories is HK$6,486 million (2017: HK$6,666 million). During the year ended 31 March 2018, an expense of HK$75 million (2017: HK$117 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 2018, the carrying amount of trade receivable is HK$8,732 million (2017: HK$5,671 million) (net of allowance for doubtful debts of HK$217 million (2017: HK$170 million)). During the year ended 31 March 2018, an impairment loss of HK$35 million (2017: HK$15 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.

Impairment of loan receivables

As at 31 March 2018, the carrying amount of loan receivables is HK$3,336 million (2017: HK$2,667 million) (net of allowance for doubtful loan receivables of HK$122 million (2017: HK$72 million)). During the year ended 31 March 2018, an impairment loss of HK$42 million (2017: HK$72 million) is made on loan receivables.

At the end of each reporting period, management carries out the impairment assessment of loan receivables based on the recoverability of the loan receivables. Impairment loss of loan receivables is made when there is objective evidence that the recoverability of loan receivables becomes doubtful, based on historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the debtors, credit assessment of debtors and recoverable amount of the pledged items. The impairment loss assessment requires significant management judgement in determining the recoverability of loan 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 and rental income from leasing of properties. An analysis of the Group's revenue for the year is as follows:

	2018 **HK$ million**	2017 HK$ million
Manufacture and sales of televisions ("TV") products	**31,789**	29,637
Manufacture and sales of digital set-top boxes	**7,182**	5,720
Manufacture and sales of liquid crystal display ("LCD") modules	**1,112**	834
Manufacture and sales of white appliances	**2,668**	2,094
Property rental income	**346**	290
Sales of properties	**29**	382
Others	**3,134**	3,888
	46,260	42,845

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 and sales of LCD modules

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

5. Property holding – leasing of property

6. SEGMENT INFORMATION (Continued)

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.

Segment revenue and results

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

For the year ended 31 March 2018

	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	19,625	12,164	8,294	2,668	346	43,097	3,163	–	46,260
Inter-segment revenue	75	33	28	159	39	334	1,687	(2,021)	–
Total segment revenue	19,700	12,197	8,322	2,827	385	43,431	4,850	(2,021)	46,260
Results									
Segment results *(Note)*	785	91	166	(21)	215	1,236	(8)	–	1,228
Interest income									193
Unallocated corporate income									262
Unallocated corporate expenses									(405)
Finance costs									(379)
Share of results of associates									12
Share of results of joint ventures									(3)
Consolidated profit before taxation of the Group									908

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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 *(Note)*	949	428	481	(35)	201	2,024	(5)	–	2,019
Interest income									399
Unallocated corporate income									291
Unallocated corporate expenses									(505)
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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by (loss from) each segment without allocation of interest income, unallocated corporate income, unallocated corporate expenses, 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.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 March 2018

	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	Total HK$ million
Assets								
Segment assets	12,441	3,229	8,284	1,800	5,531	31,285	9,401	40,686
Goodwill								526
Interests in associates								85
Interests in joint ventures								49
Unallocated corporate assets								12,395
Total consolidated assets								53,741
Liabilities								
Segment liabilities	4,793	487	4,461	1,561	1,359	12,661	7,224	19,885
Unallocated corporate liabilities								13,227
Total consolidated liabilities								33,112

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	Total HK$ million
Assets								
Segment assets	11,336	2,340	5,783	1,197	3,658	24,314	9,557	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)

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

- all assets other than inter-segment assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, 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 other than inter-segment liabilities are allocated to reportable segments other than derivative financial instruments, tax liabilities, borrowings, corporate bonds, deferred income and deferred tax liabilities.

Other segment information

For the year ended 31 March 2018

	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	Total HK$ million
Included in measure of segment results or segment assets:								
Amortisation of intangible assets	–	3	–	–	–	3	–	3
Capital expenditure on								
– Intangible assets	–	3	–	–	–	3	–	3
– Property, plant and equipment	1,003	5	114	133	69	1,324	320	1,644
– Prepaid lease payments on land use rights	–	–	–	37	2,219	2,256	–	2,256
Depreciation of property, plant and equipment	107	5	107	42	119	380	64	444
Loss (gain) on disposal of property, plant and equipment	3	(13)	–	–	–	(10)	10	–
Impairment loss recognised in respect of trade receivables	10	6	13	–	–	29	6	35
Impairment loss recognised in respect of loan receivables	–	–	–	–	–	–	42	42
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–	8	8
Impairment loss recognised in respect of finance lease receivables	–	–	–	–	–	–	5	5
Release of prepaid lease payments on land use rights	4	6	1	1	75	87	16	103
Write-down of inventories	4	25	22	3	–	54	21	75

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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	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 on land use rights	–	–	–	–	–	–	16	16
Depreciation of property, plant and equipment	158	8	91	44	40	341	56	397
Loss on disposal of property, plant and equipment	8	3	–	–	–	11	14	25
(Reversal of impairment loss) impairment loss recognised in respect of 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

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

	Revenue from external customers		Non-current assets *(Note 1)*	
	2018	2017	**2018**	2017
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**30,428**	30,326	**11,220**	9,636
Asia region (other than PRC) *(Note 2)*	**8,005**	5,529	**703**	366
America	**2,304**	2,274	**–**	–
Europe	**1,880**	1,986	**16**	19
Other regions	**3,643**	2,730	**14**	9
	46,260	42,845	**11,953**	10,030

Notes:

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

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

7. OTHER INCOME

	2018 HK$ million	2017 HK$ million
Dividend income from unlisted investments	**166**	35
Government grants *(note 41)*		
– related to assets	**107**	86
– related to expense items	**306**	272
	413	358
Interest income from		
– available-for-sales investments	**9**	21
– bank deposits	**59**	70
– investments in debt securities	**42**	246
– loan receivables	**83**	62
	193	399
Repairs and maintenance income	**65**	71
Value-added-tax ("VAT") refund	**371**	497
Others	**134**	175
	1,342	1,535

8. OTHER GAINS AND LOSSES

	2018 HK$ million	2017 HK$ million
Exchange (loss) gain, net	**(290)**	175
Gain on bargain purchase *(note 46(a))*	**–**	99
Gain on disposal of a subsidiary *(note 46(c))*	**–**	44
Gain (loss) from changes in fair value of derivative financial instruments	**4**	(7)
Gain on disposal of available-for-sale investments	**76**	5
Loss on disposal of property, plant and equipment	**–**	(25)
Impairment loss recognised in respect of available-for-sale investments	**–**	(4)
Impairment loss recognised in respect of finance lease receivables	**(5)**	–
Impairment loss recognised in respect of loan receivables	**(42)**	(72)
Impairment loss recognised in respect of other receivables	**(8)**	–
Impairment loss recognised in respect of trade receivables	**(35)**	(15)
	(300)	200

9. FINANCE COSTS

	2018 HK$ million	2017 HK$ million
Interest on customer deposits from associates	**11**	2
Interest on corporate bonds	**74**	–
Interest on borrowings	**280**	353
Imputed interest expenses on other financial liabilities *(note 35(b))*	**14**	4
	379	359

10. INCOME TAX EXPENSE

	2018 HK$ million	2017 HK$ million
PRC Enterprise Income Tax ("EIT")		
Current year	**397**	453
Underprovision in prior years	**13**	11
	410	464
PRC withholding tax	**–**	12
Hong Kong Profits Tax		
Current year	**10**	4
Under(over)provision in prior years	**2**	(3)
	12	1
Taxation arising in other jurisdictions		
Current year	**8**	25
Land appreciation tax ("LAT")	**–**	8
Deferred taxation *(note 26)*	**(110)**	(55)
	320	455

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

PRC EIT is calculated at the prevailing PRC tax rates on the estimated assessable profits for both years. Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 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 26.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. HK$12 million of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year ended 31 March 2017.

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:

	2018 HK$ million	2017 HK$ million
Profit before taxation	**908**	1,984
Tax at applicable tax rate at 25% *(Note)*	**227**	496
Tax effect of expenses not deductible for tax purpose	**77**	102
Tax effect of income not taxable for tax purpose	**(167)**	(117)
Underprovision in prior years	**15**	8
Tax effect of tax losses not recognised	**266**	163
Utilisation of tax losses previously not recognised	**(42)**	(25)
Tax effect of share of results of associates	**(3)**	–
Tax effect of share of results of joint ventures	**1**	1
PRC withholding tax	**53**	–
PRC LAT	**–**	8
Tax effect of PRC LAT	**–**	(1)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**(5)**	(6)
Income tax at concessionary rate	**(76)**	(177)
Others	**(26)**	3
Income tax expense for the year	**320**	455

Note: The applicable tax rate is with reference to the prevailing PRC tax rate of 25% under the EIT Law and Implementation Regulation of the EIT Law for both years.

11. PROFIT FOR THE YEAR

	2018 HK$ million	2017 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**3**	1
Auditors' remunerations	**8**	8
Cost of inventories recognised as an expense including write-down of inventories of HK$75 million (2017: HK$117 million)	**38,420**	33,935
Cost of stock of properties recognised as an expense	**15**	266
Depreciation of property, plant and equipment	**700**	675
Less: capitalised in cost of inventories	**(256)**	(278)
	444	397
Operating lease rentals in respect of land and buildings		
– included in selling and distribution expenses	**143**	148
– included in general and administrative expenses	**46**	66
	189	214
Release of prepaid lease payments on land use rights	**103**	25
Rental income from leasing of properties less related outgoings of HK$115 million (2017: HK$77 million)	**(231)**	(213)
Research costs recognised as an expense (including staff costs of HK$937 million (2017: HK$822 million))		
– included in general and administrative expense	**1,755**	1,449
Staff costs:		
– Directors' and chief executive's emoluments *(note 12)*	**30**	75
– Related staff costs for research activities	**937**	822
– Other staffs salaries, bonus, retirement benefits and others	**2,975**	3,326
	3,942	4,223
Less: capitalised in cost of inventories	**(1,282)**	(1,298)
	2,660	2,925

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2018 **HK$'000**	2017 HK$'000
Directors' fees	**4,592**	5,049
Other emoluments:		
Basic salaries and allowances	**8,341**	4,322
Performance related incentive payments *(Note)*	**10,770**	51,906
Retirement benefits scheme contributions	**310**	191
Share-based payments	**5,825**	13,061
	29,838	74,529

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 2018 and 31 March 2017.

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
2018						
Executive directors *(Note (i))*:						
Lai Weide	620	2,352	140	1,993	455	5,560
Lin Wei Ping	620	2,101	90	248	–	3,059
Liu Tangzhi *(Note (ii))*	620	2,468	18	3,681	4,506	11,293
Shi Chi	620	1,420	62	4,848	–	6,950
	2,480	8,341	310	10,770	4,961	26,862
Non-executive director:						
Yang Dongwen (resigned with effect from 1 April 2018) *(Note (iii))*	528	–	–	–	864	1,392
Independent non-executive directors *(Note (iv))*:						
Cheong Ying Chew	528	–	–	–	–	528
Li Weibin	528	–	–	–	–	528
Li Ming	528	–	–	–	–	528
	1,584	–	–	–	–	1,584
Total directors' emoluments	4,592	8,341	310	10,770	5,825	29,838

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
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

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, and his emoluments disclosed above for the year ended 31 March 2018 include those for services rendered by him as the chief executive from 1 April 2017.*

(iii) *Yang Dongwen was the chief executive of the Group up to 31 March 2017 and re-designated as non-executive director on 1 April 2017, and his emoluments disclosed above for the year ended 31 March 2017 include those for services rendered by him as the chief executive up to 31 March 2017.*

(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 four (2017: five) existing directors, details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining highest paid employee who is neither an existing director nor chief executive of the Company for the year ended 31 March 2018 are as follows:

	2018 HK$ million	2017 HK$ million
Basic salaries, allowances and benefits in kind	**2**	–
Performance related incentive payments *(Note)*	**3**	–
	5	–

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 employee who is not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018 No. of employee	2017 No. of employee
HK$4,500,001 to HK$5,000,000	**1**	–

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 2018.

14. DIVIDENDS

	2018 HK$ million	2017 HK$ million
Dividends recognised as distribution during the year:		
2017 Final – 5 HK cents (2017: 2016 final dividend 14.4 HK cents) per share	**152**	423
2018 Interim – nil (2017: 2017 interim dividend 9.6 HK cents) per share	**–**	287
Less: Dividends for shares held by employee's share award scheme *(note 45(ii))*	**–**	(9)
	152	701

The final dividend of 9.0 HK cents per share, totalling approximately HK$275 million, for the year ended 31 March 2018 is proposed by the directors of the Company on 12 June 2018. Such final dividend will be distributed in cash. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2018.

14. DIVIDENDS (Continued)

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

	2018 HK$ million	2017 HK$ million
2017 Final dividend (2017: 2016 Final dividend)		
Cash	**82**	172
Scrip dividends	**70**	251
	152	423
2018 Interim dividend (2017: 2017 Interim dividend)		
Cash	**–**	112
Scrip dividends	**–**	175
	–	287

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:

	2018 HK$ million	2017 HK$ million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**541**	1,310
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange *(note 45(iii))*	**(48)**	–
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**493**	1,310

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,018,487,197**	2,934,366,082
Effect of dilutive potential ordinary shares in respect of outstanding share options	**2,763,050**	18,071,930
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**6,586,027**	15,279,517
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,027,836,274**	2,967,717,529

15. EARNINGS PER SHARE (Continued)

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 2018 and 2017.

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 45(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 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 46(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
Additions	88	902	296	358	1,644
Disposals	(22)	–	(100)	(46)	(168)
Reclassification	320	(320)	–	–	–
Exchange realignment	506	204	209	110	1,029
At 31 March 2018	5,484	1,973	2,643	1,455	11,555
DEPRECIATION					
At 1 April 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
Provided for the year	319	–	209	172	700
Eliminated on disposals	(16)	–	(82)	(38)	(136)
Exchange realignment	139	–	127	68	334
At 31 March 2018	1,462	–	1,383	800	3,645
CARRYING VALUES					
At 31 March 2018	4,022	1,973	1,260	655	7,910
At 31 March 2017	3,572	1,187	1,109	435	6,303

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$618 million (2017: HK$587 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 according to the premises permit.

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

	2018 **HK$ million**	2017 HK$ million
Leasehold land and buildings:		
In the PRC	**1,807**	1,874
In Hong Kong	**21**	21
Overseas	**7**	7
	1,835	1,902
Buildings:		
In the PRC	**2,075**	1,552
Overseas	**112**	118
	2,187	1,670
	4,022	3,572
Construction in progress:		
In the PRC	**1,973**	1,187
	5,995	4,759

17. INVESTMENT PROPERTIES

	HK$ million
COST	
At 1 April 2016, 31 March 2017 and 31 March 2018	7
DEPRECIATION	
At 1 April 2016, 31 March 2017 and 31 March 2018	2
CARRYING VALUES	
At 31 March 2018 and 31 March 2017	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 2018 was approximately HK$41 million (2017: HK$39 million). The fair values at 31 March 2018 and 31 March 2017 have been arrived at based on valuations carried out by Asset Appraisal Limited, an independent valuer not connected with the Group.

At 31 March 2018 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 2018 and 31 March 2017 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$8,288 per sq.ft. to HK$8,915 per sq.ft. (2017: HK$7,428 per sq.ft.to HK$8,693 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 2018 and 31 March 2017 are as follows:

	2018		2017	
	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**	**41**	5	39

18. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	HK$ million
At 1 April 2016	737
Additions	16
Acquisition of subsidiaries *(notes 46(a))*	162
Released during the year	(25)
Exchange realignment	(43)
At 31 March 2017	847
Additions *(Note)*	2,256
Released during the year	(103)
Exchange realignment	97
At 31 March 2018	3,097

Note: During the year ended 31 March 2018, the land use rights certificate in respect of a land in PRC has been granted to the Group. Accordingly, the deposits previously paid amounting to RMB1,670 million (equivalent to HK$1,883 million) in respect of acquisition of such land has been reclassified from "deposits for acquisition of land use rights" to "prepaid lease payments on land use rights".

	2018 HK$ million	2017 HK$ million
Analysed for reporting purposes as:		
Non-current assets	**3,014**	818
Current assets	**83**	29
	3,097	847

The Group's prepaid lease payments on land use rights represent the land situated in the PRC and Indonesia of HK$3,068 million (2017: HK$817 million) and HK$29 million (2017: HK$30 million) respectively.

19. GOODWILL

	HK$ million
At 1 April 2016	506
Acquisition of subsidiaries *(note 46(b))*	15
At 31 March 2017	521
Exchange realignment	5
At 31 March 2018	526

	2018 HK$ million	2017 HK$ million
Arising from:		
– acquisition of Skyworth Digital *(Note (a))*	**405**	411
– acquisition of Strong Media Group Limited *(Note (b))*	**104**	95
– acquisition of Caldero Limited *(Note (c))*	**17**	15
	526	521

Notes:

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

During the year ended 31 March 2018, 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$405 million (2017: 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 12.1% (2017: 14.0%). Cash flows beyond the five-year period are extrapolated with a 3% (2017: 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 with the carrying amount of HK$104 million (2017: HK$95 million), the recoverable amount 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 13.50% (2017: 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.

19. GOODWILL (Continued)

Notes: (Continued)

(c) *For the goodwill arising from acquisition of Caldero Limited during the year ended 31 March 2017 (details as set out in note 46(b)) and with the carrying amount of HK$17 million (2017: HK$15 million), the recoverable amount 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 11.00% (2017: 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 2016	7	109	116
Additions	4	–	4
At 31 March 2017	11	109	120
Additions	3	–	3
Exchange realignment	2	–	2
At 31 March 2018	16	109	125
AMORTISATION			
At 1 April 2016	3	–	3
Charge for the year	1	–	1
At 31 March 2017	4	–	4
Charge for the year	3	–	3
Exchange realignment	1	–	1
At 31 March 2018	8	–	8
CARRYING VALUES			
At 31 March 2018	8	109	117
At 31 March 2017	7	109	116

20. INTANGIBLE ASSETS (Continued)

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.

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 2018, 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 13.50% (2017: 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

	2018 HK$ million	2017 HK$ million
Cost of unlisted investments	**72**	72
Share of post-acquisition profits and other comprehensive income, net of dividends received	**13**	7
	85	79

The following set out the particulars of the associates of the Group as at 31 March 2018 and 31 March 2017 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 2018	2017	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%**	49%	Providing technological and network promotion services and sales of consumer electronic products

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

	2018 HK$ million	2017 HK$ million
The Group's share of profit and total comprehensive income for the year	**12**	–
Aggregate carrying amount of the Group's interests in these associates	**85**	79

22. INTERESTS IN JOINT VENTURES

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

	2018 HK$ million	2017 HK$ million
Cost of unlisted investments	**80**	80
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(38)**	(35)
Exchange realignment	**7**	(2)
	49	43

The following set out the particulars of the joint ventures of the Group as at 31 March 2018 and 31 March 2017 which, in the opinion of the directors, principally affected the results or net assets of the Group.

Name of joint ventures	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group 2018	Effective interest held by the Group 2017	Principal business
廣州喜馬拉雅營銷顧問有限公司	Equity joint venture	PRC	RMB6,000,000	**50%**	50%	Providing marketing strategy and advertising services
廣州新視界光電科技有限公司	Equity joint venture	PRC	RMB33,583,664	**36%**	36%	Providing research and development, lease and consultation service of mechanical and electronics products
廣東創華投資有限公司	Equity joint venture	PRC	RMB25,000,000	**40%**	40%	Providing investment consultation services
江蘇國安創維信息產業有限責任公司	Equity joint venture	PRC	RMB50,000,000	**45%**	45%	Providing IT professional and engineering services
創維得志控股有限公司	Equity joint venture	HK	HK$3,885,500	**50%**	50%	Providing IT professional services and investment holding

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

	2018 HK$ million	2017 HK$ million
The Group's share of loss and total comprehensive expense for the year	**(3)**	(4)

23. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$ million	2017 HK$ million
Unlisted equity securities, at cost		
– in Hong Kong	**1**	1
– in the PRC	**1,406**	1,166
– in overseas	**27**	27
Less: Impairment loss recognised	**(80)**	(74)
	1,354	1,120
Listed equity securities		
– in Hong Kong, at fair values	**43**	53
– in the PRC, at fair values	**35**	84
	78	137
Other financial instruments, at fair values		
– in the PRC	**110**	1,063
	1,542	2,320
Analysed for reporting purposes as:		
Non-current assets	**1,440**	1,268
Current assets	**102**	1,052
	1,542	2,320

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$10 million (2017: HK$39 million), certain unlisted equity securities with carrying amount of HK$49 million (2017: HK$6 million) and certain other financial instruments with carrying amount of HK$1,062 million (2017: HK$1,673 million). A gain on disposal in respect of available-for-sale investments at fair values and available-for-sale investments at cost of HK$16 million (2017: HK$5 million) and HK$60 million (2017: nil), respectively, have 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 no impairment loss (2017: full impairment of HK$4 million is made on certain available-for-sale investments) is required to be made in respect of certain available-for-sale investments.

24. LOAN RECEIVABLES

	2018 HK$ million	2017 HK$ million
Fixed-rate loan receivables		
Secured	**2,391**	2,667
Unsecured	**945**	–
	3,336	2,667
Analysed for reporting purpose as		
Non-current assets	**2**	32
Current assets	**3,334**	2,635
	3,336	2,667

Included in the allowance for doubtful loan receivables are individually impaired loan receivables with aggregate balance of HK$122 million (2017: HK$72 million) in which there is objective evidence that the counterparties may have significant financial difficulty.

Movements in the allowance for doubtful loan receivables is as follows:

	2018 HK$ million	2017 HK$ million
Balance at 1 April	**72**	–
Impairment loss recognised in respect of loan receivables	**42**	72
Exchange realignment	**8**	–
Balance at 31 March	**122**	72

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$238 million (2017: nil) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss. There are collateral over these balances.

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

	2018 HK$ million	2017 HK$ million
Overdue:		
Within 30 days	**7**	–
91 days or over	**231**	–
	238	–

24. LOAN RECEIVABLES (Continued)

Included in the carrying amount of loan receivables as at 31 March 2018 is an amount of RMB499.5 million (equivalent to approximately HK$623 million) (2017: nil) due from a related party controlled by a substantial shareholder of the Company which is secured, interest bearing at 8% per annum (2017: nil) and repayable within one year from the end of the reporting period.

As at 31 March 2018, the carrying amount of the loan receivables which have been pledged as security for borrowings is nil (2017: HK$228 million).

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

	2018 **HK$ million**	2017 HK$ million
Fixed-rate loan receivables:		
Within one year	**3,334**	2,635
In more than one year but not more than two years	**2**	29
In more than two years but not more than five years	**–**	3
	3,336	2,667

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

	2018	2017
Effective interest rate:		
Fixed-rate loan receivables	**4.85% – 10.00%**	4.30% – 11.50%

25. FINANCE LEASE RECEIVABLES

During the year ended 31 March 2018, the Group entered finance lease contacts with principal amount of approximately RMB141 million (2017: RMB142 million) (equivalent to approximately HK$173 million (2017: HK$159 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.

25. FINANCE LEASE RECEIVABLES (Continued)

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

	2018 HK$ million	2017 HK$ million
Analysed for reporting purpose as:		
Non-current assets	–	68
Current assets	**173**	91
	173	159

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Finance lease receivables comprise:				
Within one year	**176**	103	**173**	91
In more than one year but not more than two years	–	69	–	68
	176	172	**173**	159
Less: Unearned finance income	**(3)**	(13)	**N/A**	N/A
Present value of minimum lease payment receivables	**173**	159	**173**	159

Included in the carrying amount of finance lease receivables as at 31 March 2018 is accumulated impairment loss of HK$5 million (2017: nil) in which there is objective evidence that the counterparties may have significant financial difficulties.

Included in the carrying amount of finance lease receivables as at 31 March 2018 is an amount of RMB0.5 million (equivalent to approximately HK$0.6 million) (2017: nil) due from a related party controlled by a substantial shareholder of the Company which is secured, interest bearing at 8% per annum (2017: nil) and repayment within one year from the end of the reporting period.

Effective interest rate of the above finance lease is 9.19% per annum (2017: 9.07% 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.

26. 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	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 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)
(Credit) charge to profit or loss	(1)	(55)	(18)	53	(15)	–	(74)	(110)
Credit to other comprehensive income	–	–	–	–	5	–	–	5
Exchange realignment	–	(13)	(6)	–	–	–	(31)	(50)
At 31 March 2018	(9)	(164)	(77)	116	6	45	(221)	(304)

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:

	2018 HK$ million	2017 HK$ million
Deferred tax assets	**(496)**	(312)
Deferred tax liabilities	**192**	163
	(304)	(149)

26. DEFERRED TAXATION (Continued)

Notes:

(a) *At the end of the reporting period, the Group has unutilised tax losses of HK$2,550 million (2017: HK$1,715 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$2,550 million (2017: HK$1,715 million) due to the unpredictability of future profit streams.*

Unutilised tax losses for which no deferred tax assets is recognised will expire as follows:

	2018 HK$ million	2017 HK$ million
2018	**–**	89
2019	**50**	99
2020	**214**	246
2021	**233**	255
2022	**498**	556
2023	**807**	–
Carried forward indefinitely	**748**	470
	2,550	1,715

(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$458 million (2017: HK$424 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.*

27. INVENTORIES

	2018 HK$ million	2017 HK$ million
Raw materials	**2,172**	2,428
Work in progress	**387**	360
Finished goods	**3,927**	3,878
	6,486	6,666

28. STOCK OF PROPERTIES

	2018 HK$ million	2017 HK$ million
Stock of properties:		
Under development	**1,203**	1,013
Completed	**200**	35
	1,403	1,048

Included in the stock of properties under development are amounts of HK$687 million (2017: HK$781 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of HK$1,151 million (2017: HK$387 million) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 35(a).

29. INVESTMENTS IN DEBT SECURITIES

	2018 HK$ million	2017 HK$ million
Debt securities		
– in the PRC	**114**	746

The Group's investments in debt securities represent debt securities that carry fixed interest at 4.55% to 9.00% per annum (2017: 5.00% 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:

	2018 HK$ million	2017 HK$ million
Remaining maturity:		
Less than 3 months	**114**	435
3 months to 1 year	**–**	311
	114	746

30. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2018 HK$ million	2017 HK$ million
Unlisted securities, at fair value:		
– Investment fund	**40**	–

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:

	2018 HK$ million	2017 HK$ million
Within 30 days	**3,150**	2,320
31 to 60 days	**1,525**	930
61 to 90 days	**1,062**	684
91 to 365 days	**2,526**	1,253
Over 365 days	**469**	484
Trade receivables	**8,732**	5,671
Other receivables	**820**	480
Purchase deposits paid for materials	**394**	275
Receivables for disposal of a subsidiary *(note 46(c))*	**–**	10
Rental deposits paid	**16**	10
VAT receivables	**599**	536
Other deposits paid and prepayments	**569**	454
	11,130	7,436
Less: Amount due after one year under non-current assets	**–**	(10)
	11,130	7,426

31. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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$1,852 million (2017: HK$1,528 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.

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

	2018 HK$ million	2017 HK$ million
Overdue:		
Within 30 days	**653**	583
31 to 60 days	**326**	249
61 to 90 days	**201**	162
91 days or over	**672**	534
	1,852	1,528

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$217 million (2017: HK$170 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.

31. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the allowance for doubtful debts is as follows:

	2018 HK$ million	2017 HK$ million
Balance at 1 April	**170**	178
Impairment loss recognised in respect of trade receivables	**35**	15
Amounts uncollectible written off	**(6)**	(13)
Exchange realignment	**18**	(10)
Balance at 31 March	**217**	170

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 receivable 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:

	2018 HK$ million	2017 HK$ million
Within 30 days	**952**	970
31 to 60 days	**1,280**	1,289
61 to 90 days	**2,028**	1,680
91 days or over	**1,917**	2,118
Bills discounted to banks with recourse	**573**	420
	6,750	6,477

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. 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 is an aged analysis of the trade payables with associates presented based on the invoice date at the end of the reporting period:

	2018 **HK$ million**	2017 HK$ million
Within 30 days	**29**	87

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

34. 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 2.75% per annum (2017: 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 2.75% per annum (2017: 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.

35. 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:

	2018 **HK$ million**	2017 HK$ million
Within 30 days	**3,108**	2,763
31 to 60 days	**1,454**	1,059
61 to 90 days	**1,032**	719
91 days or over	**228**	306
Trade payables	**5,822**	4,847
Accruals and other payables	**1,054**	1,090
Accrued staff costs	**701**	868
Accrued selling and distribution expenses	**138**	98
Amounts received for restricted share incentive scheme of a subsidiary	**254**	–
Customer deposits *(Note (i))*	**289**	551
Deposits received for sales of goods	**933**	1,130
Deposits received for sales of properties	**1,151**	387
Interest payables on corporate bonds	**74**	–
Membership fee received	**51**	214
Other deposits received	**774**	886
Payables for acquisition of subsidiaries *(Note (ii))*	**–**	68
Payables for purchase of property, plant and equipment	**57**	34
Rental deposits received	**59**	52
Sales rebate payable	**1,093**	599
VAT payable	**83**	97
	12,533	10,921

Notes:

(i) *The customer deposits bear interest at 0.35% per annum (2017: 0.35% per annum) which are repayable on demand.*

As at 31 March 2018, HK$248 million (2017: HK$526 million) of the customer deposits is placed by the associate, 北京新七天電子商務技術股份有限公司 ("New Seven Days"), which bear interest at 0.35% per annum (2017: 0.35% per annum) and is repayable on demand.

(ii) *The payables for acquisition of subsidiaries consist of consideration payable for acquisition of Strong Media Group Limited of HK$60 million and consideration payable for acquisition of Caldero Limited of HK$8 million (note 46(b)), which is fully settled during the year ended 31 March 2018.*

35. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES (Continued)

(b) Other financial liabilities

Movements in other financial liabilities is as follows:

	2018 HK$ million	2017 HK$ million
At the beginning of the year	**230**	–
Arising on disposal of partial interest in a subsidiary	**59**	225
Imputed interest expense for the year	**14**	4
Release of other financial liabilities to non-controlling interests	**(117)**	–
Exchange realignment	**16**	1
At the end of the year	**202**	230

During the year ended 31 March 2017, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), an indirect-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, for a RMB150 million capital injection. Pursuant to the agreement, Shenzhen Coocaa, an indirect non-wholly owned subsidiary of the Company, received the first capital injection of RMB100 million (equivalent to approximately HK$112.5 million) from iQIYI on 2 December 2016. During the year ended 31 March 2018, Shenzhen Coocaa received the second capital injection of RMB50 million (equivalents to approximately HK$59 million) from iQIYI.

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 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 at the end of 60 months. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of HK$13 million (2017: HK$2 million) has been recognised in respect of this financial liability during the year ended 31 March 2018.

During the year ended 31 March 2017, RGB 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 approximately HK$112.5 million) from Investor on 23 January 2017.

35. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES (Continued)

(b) Other financial liabilities *(Continued)*

Based on the terms of the agreement, RGB and Investor agreed that if Shenzhen Coocaa cannot meet the sales target as stated in the cooperation agreement signed between Shenzhen Coocaa and an affiliate of Investor on 13 January 2017 ("FY2017 Cooperation Agreement"), 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 as at 31 March 2017. Imputed interest expenses of HK$1 million (2017: HK$2 million) has been recognised in respect of this financial liability from 1 April 2017 to 4 May 2017 (details refer below).

During the year ended 31 March 2018, Shenzhen Coocaa received another capital injection of RMB200 million (equivalent to approximately HK$227 million) from Investor and signed another cooperation agreement with the same affiliate of the Investor on 4 May 2017 ("FY2018 Cooperation Agreement") to revoke the FY2017 Cooperation Agreement which removed the terms on sales target as stated in the FY2017 Cooperation Agreement. The management is of the view that all the terms specified in the FY2018 Cooperation Agreement are under the Group's control and the Group can avoid the obligation to deliver cash or other financial instrument. Thereafter, the Group recognised a disposal of partial interest in Shenzhen Coocaa for the consideration of HK$227 million and the financial liabilities of HK$117 million to the Investor was released to non-controlling interests.

36. BILLS PAYABLE

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

	2018 HK$ million	2017 HK$ million
Within 30 days	**1,147**	1,018
31 to 60 days	**1,325**	1,009
61 to 90 days	**1,472**	1,016
91 days or over	**2,849**	2,366
	6,793	5,409

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

37. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$ million	2017 HK$ million
Derivative financial instruments are analysed as:		
Interest rate swap contracts *(Note)*	**3**	7
Gain (loss) from changes in fair value of derivative financial instruments:		
Interest rate swap contracts *(Note)*	**4**	(7)

Note: 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 and foreign currency exposure 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 2018, the fair value of Group's interest rate swap contract was estimated to be a liability of HK$3 million (2017: HK$7 million). 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 2018, a gain arising from changes in fair value of the interest rate swap contract of HK$4 million (2017: loss of HK$7 million) has been recognised in profit or loss.

38. PROVISION FOR WARRANTY

	2018 HK$ million	2017 HK$ million
Balance at 1 April	**237**	233
Additional provision	**289**	301
Utilised	**(297)**	(284)
Exchange realignments	**24**	(13)
Balance at 31 March	**253**	237
Analysed for reporting purposes as:		
Current liabilities	**171**	164
Non-current liabilities	**82**	73
	253	237

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.

39. BORROWINGS

	2018 HK$ million	2017 HK$ million
Borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**573**	420
Other bank borrowings	**8,749**	7,465
Other borrowings	**–**	107
	9,322	7,992
Secured	**1,697**	1,188
Unsecured	**7,625**	6,804
	9,322	7,992
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	**391**	84
More than one year but not exceeding two years	**240**	54
	631	138
Carrying amount of other borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**7,296**	4,895
More than one year but not more than two years	**522**	1,836
More than two years but not exceeding five years	**870**	628
Over five years	**3**	495
	8,691	7,854
	9,322	7,992
Less: Amounts due within one year shown under current liabilities	**(7,687)**	(4,979)
Amounts shown under non-current liabilities	**1,635**	3,013

Included in the balance as at 31 March 2018 are fixed-rate borrowings of HK$1,558 million (2017: HK$1,388 million) which carry interest at rates ranging from 0.50% to 8.75% per annum (2017: 1.10% to 12.00% 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 1.22% to 5.23% per annum (2017: 1.20% to 12.81% per annum).

As at the end of the reporting period, the Group had foreign currencies denominated borrowings of US$182 million (equivalent to approximately HK$1,432 million) (2017: US$23 million (equivalent to approximately HK$179 million)) and EUR269 million (equivalent to approximately HK$2,605 million) (2017: EUR281 million (equivalent to approximately HK$2,337 million)). All other borrowings are denominated in the respective functional currencies of the group entities.

40. CORPORATE BONDS

	HK$ million
At 1 April 2017	–
Corporate bonds issued, net of transaction costs	2,330
Interest on corporate bonds	74
Exchange realignment	151
Less: included as interest payables at 31 March 2018	(74)
At 31 March 2018	2,481

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million (equivalent to approximately HK$2,347 million). The corporate bonds bear interest at 5.36% per annum (2017: nil) and fall due on 14 September 2022. Pursuant to the terms of the subscription agreement of the corporate bond, the Group has the right to adjust the coupon rate and the bond holders have the right to put the bond back to the Group after 14 September 2020. The management considers the fair value of these options are insignificant.

The corporate bonds are subsequently measured at amortised cost, using effective interest rate of 5.48% (2017: nil). As at 31 March 2018, the carrying amount of the corporate bonds was approximately HK$2,481 million (2017: nil).

41. DEFERRED INCOME

	2018 HK$ million	2017 HK$ million
Deferred income	**1,116**	973
Less: Amount to be recognised as income within one year included in current liabilities	**(312)**	(247)
Amount to be recognised as income after one year	**804**	726

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$413 million (2017: HK$358 million).

42. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 31 March 2018	10,000,000,000	1,000
Issued and fully paid:		
At 1 April 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
Issue of shares upon exercise of share options	584,000	–
Issue of shares under scrip dividend scheme	18,188,015	1
At 31 March 2018	3,060,929,420	306

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 2018 and 31 March 2017 are set out in note 44.

43. TRANSFERRED FINANCIAL ASSETS

The following were the Group's bills receivable that were transferred to banks by discounting those receivables on a full recourse basis. For certain bills receivable that were discounted to banks on a full recourse basis but the substantial risks and rewards of the ownership of the bills receivable 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 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 associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	2018 Bills discounted to banks with recourse HK$ million	2017 Bills discounted to banks with recourse HK$ million
Carrying amount of transferred assets	**573**	420
Carrying amount of associated liabilities	**(573)**	(420)
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.

No gain or loss was recognised at the date of transfer of the assets.

44. 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 142,576,500 (2017: 141,160,500) representing approximately 4.66% (2017: 4.64%) of the issued share capital of the Company as at the end of the reporting period.

44. SHARE OPTIONS (Continued)

For the year ended 31 March 2018

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 2018:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year (Note (a))	Exercised during the year (Note (b))	Lapsed during the year	Outstanding at 31 March 2018
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	–	(50,000)	–	**1,496,500**
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	5,292,000	–	(30,000)	–	**5,262,000**
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	4,694,000	–	(30,000)	–	**4,664,000**
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	5,326,000	–	(60,000)	–	**5,266,000**
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	6,476,000	–	(76,000)	–	**6,400,000**
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	7,644,000	–	(86,000)	–	**7,558,000**
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 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	**1,000,000**

44. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
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**
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**

44. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year (Note (a))	Exercised during the year (Note (b))	Lapsed during the year	Outstanding at 31 March 2018
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 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**
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	100,000	–	–	–	**100,000**
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	140,000	–	(40,000)	–	**100,000**
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	140,000	–	–	–	**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**

44. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
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**
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**
				63,250,500	–	(372,000)	–	**62,878,500**

44. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2014 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
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 30 August 2016	1 September 2016 to 20 August 2024	15,064,000	–	(212,000)	–	**14,852,000**
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	–	–	**17,154,000**
		22 January 2016 to 30 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**
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	–	500,000	–	–	**500,000**
				77,910,000	2,000,000	(212,000)	–	**79,698,000**
				141,160,500	2,000,000	(584,000)	–	**142,576,500**

Notes:

(a) *2,000,000 share options were granted under 2014 Share Option Scheme during the year ended 31 March 2018.*

(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 2018 was HK$5.133.*

44. 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 (c))*	Exercised during the year *(Note (d))*	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
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

44. 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 (c))*	Exercised during the year *(Note (d))*	Lapsed during the year	Outstanding at 31 March 2017
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
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

44. 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 (c))*	Exercised during the year *(Note (d))*	Lapsed during the year	Outstanding at 31 March 2017
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
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

44. 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 (c))*	Exercised during the year *(Note (d))*	Lapsed during the year	Outstanding at 31 March 2017
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

44. 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 (c))	Exercised during the year (Note (d))	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 30 August 2016	1 September 2016 to 20 August 2024	17,154,000	–	(2,090,000)	–	15,064,000
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	–	–	17,154,000
		22 January 2016 to 30 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:

(c) 10,000,000 share options were granted under 2014 Share Option Scheme during the year ended 31 March 2017.

(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 2017 was HK$5.727.

45. 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)) and Skyworth Digital's share awards (Note (iii)). An amount of share-based payment expenses of HK$18 million (2017: HK$21 million) for share options and HK$8 million (2017: HK$29 million) for share awards has been recognised in the profit or loss in the current year.

Note (i): Share options of the Company

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 2018 are disclosed in note 44. A summary of which is presented below:

	2018		2017	
	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	**141,160,500**	**4.463**	149,630,500	4.313
Granted during the year	**2,000,000**	**4.090**	10,000,000	6.320
Exercised during the year	**(584,000)**	**3.983**	(18,470,000)	4.251
Outstanding at the end of the year	**142,576,500**	**4.460**	141,160,500	4.463
Exercisable at the end of the year	**103,734,500**		71,326,500	

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.027 (2017: HK$5.727). The share options outstanding as at 31 March 2018 have a weighted average remaining contractual life of 1.68 years (2017: 2.43 years) and the exercise prices of which range from HK$0.374 to HK$6.580 (2017: 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$	HK$	%	%	%	%
9 August 2017	500,000	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	1.2406	620,303	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	1.2819	640,966	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	1.3172	658,598	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	1.3471	673,553	4.08	4.09	58.42	3.77	1.5	0.75
	2,000,000				2,593,420						

45. SHARE-BASED PAYMENTS (Continued)

Note (i): Share options of the Company (Continued)

Share option granted during the year ended 31 March 2017 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$	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						

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$18 million (2017: HK$21 million) for the year in relation to share options granted by the Company.

45. SHARE-BASED PAYMENTS (Continued)

Note (ii): Share awards of the Company

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, a total of 7,243,000 (2017: 11,316,000) awarded shares were vested and allotted.

Vesting dates	Outstanding at 1 April 2016	Movement during the year Allotted	Lapsed	Outstanding at 31 March 2017	Movement during the year Allotted	Lapsed	Outstanding at 31 March 2018
31 August 2016	8,694,000	(8,442,000)	(252,000)	–	–	–	–
31 December 2016	2,978,000	(2,874,000)	(104,000)	–	–	–	–
31 August 2017	8,730,000	–	(254,000)	8,476,000	(3,753,000)	(4,723,000)	–
31 December 2017	4,130,000	–	(162,000)	3,968,000	(3,490,000)	(478,000)	–
	24,532,000	(11,316,000)	(772,000)	12,444,000	(7,243,000)	(5,201,000)	–
Weighted average fair value	HK$4.19	HK$4.48	HK$4.33	HK$4.19	HK$4.41	HK$3.53	–

During the year ended 31 March 2017, 1,500,000 shares of the Company were acquired at a total cost of HK$7 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$8 million (2017: HK$29 million) for the year in relation to share awards granted by the Company.

45. SHARE-BASED PAYMENTS (Continued)

Note (iii): Restricted share incentive scheme of Skyworth Digital

The restricted share incentive scheme was approved and adopted by the shareholders of Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange at the special general meeting held on 31 August 2017. The restricted share incentive scheme is valid and effective for a period of 4 years commencing from 31 August 2017.

During the year ended 31 March 2018, a total of 36,373,000 restricted shares of Skyworth Digital have been awarded to certain directors and employees of Skyworth Digital at RMB5.61 per share with a vesting period ranges from 1 year to 3 years and dividend will not be received during the vesting period. HK$254 million (2017: nil) have been received for this restricted share incentive scheme as at 31 March 2018 as disclosed in note 35(a).

Vesting dates	Outstanding at 1 April 2017	Awarded	Movement during the period Allotted	Lapsed	Outstanding at 31 March 2018
3 September 2018	–	10,911,900	–	–	**10,911,900**
3 September 2019	–	10,911,900	–	–	**10,911,900**
3 September 2020	–	14,549,200	–	–	**14,549,200**
	–	36,373,000	–	–	**36,373,000**
Weighted average fair value	–	RMB1.12	–	–	**RMB1.12**

The total fair value of the restricted shares granted by Skyworth Digital determined at the date of grant was RMB42 million (equivalent to approximately HK$49 million).

The fair value of restricted shares granted are determined using the fair value of the underlying share price and adjusted for the exercise price.

The Group recognised in the total expense of HK$17 million for the year in relation to restricted share incentive scheme of Skyworth Digital.

46. 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

46. 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	(145)
Less: bank balances and cash acquired	133
Net cash outflow for the year ended 31 March 2017	(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.

46. 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 boxes 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

46. 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 (outflow) inflow arising on acquisition is as follows:

	2018 HK$ million	2017 HK$ million
Cash consideration paid	**(8)**	(8)
Less: bank balances and cash acquired	**–**	18
Net cash (outflow) inflow for the year	**(8)**	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.

46. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

(c) Disposal of New Seven Days

On 28 February 2017, the Group disposed of 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.

	2018 **HK$ million**	2017 HK$ million
Consideration receivables:		
Due after one year	–	10

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

46. ACQUISITIONS OF SUBSIDIARIES AND DISPOSAL OF A SUBSIDIARY (Continued)

(c) Disposal of New Seven Days (Continued)

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 upon disposal of a subsidiary	(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 inflow (outflow) arising on disposal is as follows:

	2018 HK$ million	2017 HK$ million
Cash consideration received	**10**	–
Less: bank balances and cash disposed	**–**	(575)
Net cash inflow (outflow) for the year	**10**	(575)

47. PLEDGE OF ASSETS

At 31 March 2018, the Group's borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights, and leasehold land and buildings with carrying value of HK$21 million (2017: HK$80 million) and HK$303 million (2017: HK$397 million) respectively;

(b) pledged bank deposits of HK$417 million (2017: HK$290 million);

(c) finance lease receivables of nil (2017: HK$151 million);

(d) loan receivables of nil (2017: HK$228 million);

(e) trade receivables of HK$32 million (2017: HK$4 million); and

(f) bills receivable of HK$573 million (2017: HK$420 million).

48. 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:

	2018 **HK$ million**	2017 HK$ million
Within one year	**187**	61
In the second to fifth year inclusive	**122**	88
Over five years	**28**	28
	337	177

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.

48. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

During the year, the Group earned rental income of HK$346 million (2017: HK$290 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:

	2018 **HK$ million**	2017 HK$ million
Within one year	**313**	261
In the second to fifth year inclusive	**431**	413
Over five years	**39**	46
	783	720

49. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2018 **HK$ million**	2017 HK$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**235**	152
Factory buildings and office premises under development	**286**	592
	521	744

50. 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.

51. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **HK$ million**	2017 HK$ million
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**29,759**	20,371
Available-for-sale financial assets	**1,542**	2,320
Held-for-trading investments	**40**	–
Financial liabilities		
Liabilities at amortised cost	**27,419**	22,036
Derivative financial instruments	**3**	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, held-for-trading investments, trade and other receivables, bills receivable, amounts due from associates, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, bills payable, derivative financial instruments, amounts due to associates, amount due to a non-controlling shareholder of a subsidiary, borrowings, corporate bonds 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.

51. 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 66% (2017: 71%) 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	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
United States dollars ("US$") against RMB	**1,400**	1,395	**300**	246
HK$ against RMB	**15**	11	**324**	309
RMB against HK$	**200**	158	**–**	–
EUR against HK$	**16**	13	**–**	2,298
EUR against RMB	**–**	–	**2,179**	–

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, EUR against HK$ and EUR against RMB. The following table only details the Group's sensitivity to a 5% increase and decrease in US$ against RMB, EUR against HK$ and EUR against RMB. 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 positive (negative) number below indicates an increase (decrease) in profit for the year where US$ weaken 5% against RMB, EUR weaken 5% against HK$ or EUR weaken 5% against RMB. For a 5% strengthening of US$ against RMB, EUR against HK$ or EUR against RMB, there would be an equal and opposite impact on the profit for the year.

	2018 HK$ million	2017 HK$ million
Profit for the year		
US$ against RMB	**(46)**	(49)
EUR against HK$	**(1)**	95
EUR against RMB	**91**	–

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis (Continued)

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.

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 loan receivables, finance lease receivables, investments in debt securities, customer deposits, corporate bonds and borrowings which are interest bearing at fixed-rate.

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$32 million (2017: HK$28 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 23 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.

51. 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% (2017: 10%) higher/lower:

- post-tax profit for the year ended 31 March 2018 would increase/decrease by HK$4 million/HK$4 million (2017: nil/nil) as a result of the changes in fair value of held-for-trading investments; and

- investment valuation reserve would increase/decrease by HK$15 million/HK$15 million (2017: HK$91 million/HK$91 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 83% (2017: 77%) and 100% (2017: 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.

51. 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 2018, the Group has available unutilised borrowing facilities of approximately HK$11,150 million (2017: HK$23,368 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 31.3.2018 HK$ million
2018								
Non-derivative financial liabilities								
Trade and other payables	–	5,802	1,454	1,261	–	–	8,517	8,517
Other financial liabilities	8%	–	–	–	262	–	262	202
Bills payable	–	1,147	2,797	2,849	–	–	6,793	6,793
Amounts due to associates	–	29	–	–	–	–	29	29
Amounts due to a non-controlling shareholder of a subsidiary	–	75	–	–	–	–	75	75
Borrowings – variable rate	3.70%	611	762	5,144	1,597	–	8,114	7,764
Borrowings – fixed rate	2.46%	87	549	688	241	3	1,568	1,558
Corporate bonds	5.48%	–	–	271	3,037	–	3,308	2,481
		7,751	5,562	10,213	5,137	3	28,666	27,419
Derivatives financial instruments, net								
Interest rate swap contracts	–	–	–	3	–	–	3	3

51. 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 31.3.2017 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

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 2018, the aggregate undiscounted principal amounts of these borrowings amounted to HK$631 million (2017: HK$138 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$636 million (2017: HK$147 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 2018	**1.50%**	**–**	**125**	**269**	**242**	**636**	**631**
31 March 2017	2.74%	–	–	–	147	147	138

51. 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 2018 HK$ million	2017 HK$ million	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets:				
Listed equity securities	**78**	137	Level 1	Quoted bid prices in an active market
Other financial instruments	**110**	1,063	Level 3	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counter parties.
	188	1,200		
Held-for-trading financial assets:				
Unlisted investment fund	**40**	–	Level 3	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial instruments:				
Interest rate swap contracts	**(3)**	(7)	Level 2	Discounted cash flow 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 levels during the year.

51. 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.

52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables HK$ million	Amounts received for share award scheme of a subsidiary HK$ million *(note 35(a))*	Interest payables HK$ million	Other financial liabilities HK$ million *(note 35(b))*	Amount due to a non-controlling shareholder of a subsidiary HK$ million	Borrowings HK$ million *(note 39)*	Corporate bonds HK$ million *(note 40)*	Total HK$ million
At 1 April 2017	–	–	–	230	102	7,992	–	8,324
Non cash transactions:								
Exchange realignment	–	15	–	16	–	514	151	696
Dividend recognised as distribution	152	–	–	–	71	–	–	223
Scrip dividend	(70)	–	–	–	–	–	–	(70)
Finance costs	–	–	354	14	–	–	–	368
Bills discounted to banks with recourse	–	–	–	–	–	(1,318)	–	(1,318)
Arising on disposal of partial interest in a subsidiary	–	–	–	59	–	–	–	59
Release of other financial liabilities to non-controlling interests	–	–	–	(117)	–	–	–	(117)
Financing cash flows:								
Dividend paid	(82)	–	–	–	(98)	–	–	(180)
Interest paid	–	–	(280)	–	–	–	–	(280)
Amounts received for share award scheme of a subsidiary	–	239	–	–	–	–	–	239
New borrowings raised	–	–	–	–	–	8,804	–	8,804
Repayments of borrowings	–	–	–	–	–	(6,670)	–	(6,670)
New corporate bonds raised, net of transaction costs	–	–	–	–	–	–	2,330	2,330
At 31 March 2018	–	254	74	202	75	9,322	2,481	12,408

53. MAJOR NON-CASH TRANSACTIONS

During the year, certain shareholders elected to receive scrip dividends for 2017 final dividend and 2018 interim dividend of HK$70 million (2017: 2016 final dividend of HK$251 million) and nil (2016: 2017 interim dividend of HK$175 million) respectively. Details are set out in note 14.

54. 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.

55. 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 "ORSON 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.

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:

	2018 **HK$ million**	2017 HK$ million
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**373**	351
Total retirement benefit scheme contributions	**374**	352

At both 31 March 2018 and 31 March 2017, there were no forfeited contributions available to offset future employers' contributions to the schemes.

56. RELATED PARTY TRANSACTIONS

Trading transactions

During the year, in addition to the related party transactions disclosed elsewhere in the consolidated financial statements, the Group also has the following transactions with related parties:

Joint ventures

	2018 **HK$ million**	2017 HK$ million
Advertising and promotional expenses paid	**2**	9
Sales of finished goods	**2**	1
Repair and maintenance service fee income	**3**	2

Associates

	2018 **HK$ million**	2017 HK$ million
Advertising and promotional expenses paid	**2**	–
Interest paid	**11**	2
Sales of finished goods	**1,495**	419

Related parties

	2018 **HK$ million**	2017 HK$ million
Interest income from loan receivables from a related party *(Note)*	**22**	–
Consultancy fee paid to a substantial shareholder of the Company	**3**	3

Note: The related party is controlled by a substantial shareholder of the Company.

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:

	2018 **HK$ million**	2017 HK$ million
Short-term benefits	**32**	70
Post-employment benefits	**1**	1
Share-based payments	**6**	14
	39	85

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.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 March 2018 and 31 March 2017 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))* 2018	2017	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%	Investment holding *(Note (h))*
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
創維電子（內蒙古）有限公司	PRC *(Note (c))*	Registered capital US$24,400,000	**100%**	100%	Manufacture and sale of consumer electronic products
創維集團科技園管理有限公司	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

57. 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))* 2018	2017	Principal activities
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	PRC *(Note (f))*	Registered capital RMB1,070,931,280	**59.4%** *(Note (g))*	59.4%	Investment holding
深圳創維數字技術有限公司 Shenzhen Skyworth Digital Technology Co., Ltd.	PRC *(Note (e))*	Registered capital RMB300,000,000	**59.4%** *(Note (g))*	59.4%	Manufacture and sale of consumer electronic products and research and products development
深圳市酷開網絡科技有限公司 Shenzhen Coocaa	PRC *(Note (c))*	Registered capital RMB127,487,687	**64.32%**	76.92%	Manufacturing and sale of consumer electronic products
創維液晶器件(深圳)有限公司	PRC *(Note (d))*	Registered capital HK$25,000,000	**54.58%**	59.4%	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
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

57. 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))* 2018	2017	Principal activities
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$50,000,000	**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 RMB1,152,670,000	**100%**	100%	Financing
深圳創維科技咨詢有限公司	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.*

(g) *The effective interest held by the Company included 2.02% equity interest held under treasury shares of a subsidiary of the Company.*

(h) *The subsidiary ceased its trading of raw materials which mainly denominated in US$ and remained as an investment holding company of major PRC subsidiaries of the Group during the year ended 31 March 2018. Thereafter, the functional currency of this subsidiary has been changed from US$ to RMB.*

None of the subsidiaries had issued any debt securities outstanding at 31 March 2018 and 31 March 2017 or at any time during the year.

57. 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	
		2018	2017	**2018**	2017	**2018**	2017
				HK$ million	HK$ million	**HK$ million**	HK$ million
Skyworth Digital	PRC	**40.6%**	40.60%	**63**	194	**1,189**	1,174
Shenzhen Coocaa	PRC	**35.68%**	23.08%	**7**	2	**639**	29
Individually immaterial subsidiaries with non-controlling interest				**(23)**	23	**194**	131
				47	219	**2,022**	1,334

Summarised financial informations in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial informations below represent amounts before intragroup eliminations.

Skyworth Digital

	2018 HK$ million	2017 HK$ million
Current assets	**8,288**	6,188
Non-current assets	**1,316**	1,219
Current liabilities	**(5,785)**	(3,656)
Non-current liabilities	**(440)**	(622)
	3,379	3,129
Equity attributable to owners of Skyworth Digital	**2,928**	2,892
Non-controlling interests	**451**	237
	3,379	3,129

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Skyworth Digital (Continued)

	2018 HK$ million	2017 HK$ million
Revenue	**8,828**	7,077
Expenses	**(8,670)**	(6,592)
Profit for the year	**158**	485
Profit attributable to owners of Skyworth Digital	**155**	473
Profit attributable to the non-controlling interests	**3**	12
Profit for the year	**158**	485
Total comprehensive income (expense) attributable to owners of Skyworth Digital	**416**	(825)
Total comprehensive income attributable to the non-controlling interests	**3**	12
Total comprehensive income (expense) for the year	**419**	(813)
Net cash outflow from operating activities	**(1,013)**	(188)
Net cash inflow from investing activities	**134**	223
Net cash inflow (outflow) from financing activities	**991**	(325)
Net cash inflow (outflow)	**112**	(290)

Shenzhen Coocaa

	2018 HK$ million	2017 HK$ million
Current assets	**2,909**	1,616
Non-current assets	**114**	31
Current liabilities	**(1,008)**	(1,273)
Non-current liabilities	**(224)**	(249)
	1,791	125
Equity attributable to owners of Shenzhen Coocaa	**1,792**	126
Non-controlling interests	**(1)**	(1)
	1,791	125

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Shenzhen Coocaa (Continued)

	2018 **HK$ million**	2017 HK$ million
Revenue	**1,691**	1,795
Expenses	**(1,670)**	(1,788)
Profit for the year	**21**	7
Profit attributable to owners of Shenzhen Coocaa	**21**	7
Profit attributable to the non-controlling interests	**–**	–
Profit for the year	**21**	7
Total comprehensive income (expense) attributable to owners of Shenzhen Coocaa	**58**	(4)
Total comprehensive income attributable to the non-controlling interests	**–**	–
Total comprehensive income (expense) for the year	**58**	(4)
Net cash inflow from operating activities	**35**	561
Net cash (outflow) inflow from investing activities	**(71)**	6
Net cash inflow from financing activities	**1,281**	256
Net cash inflow	**1,245**	823

58. FINANCIAL INFORMATION OF THE COMPANY

The following are the statement of financial position of the Company:

	2018 HK$ million	2017 HK$ million
Non-current Assets		
Interests in subsidiaries	**6,389**	6,236
Amounts due from subsidiaries	**2,481**	–
	8,870	6,236
Current Assets		
Other receivables	**8**	11
Amounts due from subsidiaries	**670**	592
Bank balances and cash	**21**	4
	699	607
Current Liabilities		
Other payables	**91**	46
Amounts due to subsidiaries	**1,149**	984
	1,240	1,030
Net Current Liabilities	**(541)**	(423)
Total Assets less Current Liabilities	**8,329**	5,813
Non-current Liability		
Corporate bonds	**2,481**	–
Net Assets	**5,848**	5,813
Capital and Reserves		
Share capital	**306**	305
Reserves	**5,542**	5,508
	5,848	5,813

58. 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 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 45)*	–	–	–	(7)	–	–	–	(7)
Recognition of equity-settled share-based payments *(note 45)*	–	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
Loss for the year	–	–	–	–	–	–	(51)	(51)
Exchange differences arising on translation	–	–	–	–	–	140	–	140
Total comprehensive income (expense) for the year	–	–	–	–	–	140	(51)	89
Recognition of equity-settled share-based payments *(note 45)*	–	18	8	–	–	–	–	26
Issue of shares under share option scheme	3	(1)	–	–	–	–	–	2
Issue of shares under scrip dividend scheme	69	–	–	–	–	–	–	69
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	(152)	(152)
Share vested under share award scheme	–	–	(34)	30	–	–	4	–
Lapse of share awards	–	–	(7)	–	–	–	7	–
Balance at 31 March 2018	3,599	223	–	(134)	937	302	615	5,542

59. COMPARATIVE FIGURES

Comparative reconciliation of income tax expense and certain comparative items in the consolidated statement of cash flows have been restated to conform with current year presentation.

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Revenue	**46,260**	42,845	42,695	40,135	39,480
Cost of sales	**(38,550)**	(34,278)	(33,332)	(32,112)	(31,851)
Gross profit	**7,710**	8,567	9,363	8,023	7,629
Other income	**1,342**	1,535	1,411	1,103	973
Other gains and losses	**(300)**	200	(55)	25	(149)
Gain on disposal of land and other associated assets	**–**	–	–	1,755	–
Selling and distribution expenses	**(4,562)**	(5,091)	(4,756)	(4,835)	(4,925)
General and administrative expenses	**(2,912)**	(2,864)	(2,581)	(1,736)	(1,645)
Finance costs	**(379)**	(359)	(239)	(161)	(163)
Share of results of associates	**12**	–	3	4	1
Share of results of joint ventures	**(3)**	(4)	4	(2)	(21)
Profit before taxation	**908**	1,984	3,150	4,176	1,700
Income tax expense	**(320)**	(455)	(623)	(826)	(267)
Profit for the year	**588**	1,529	2,527	3,350	1,433
Attributable to:					
Owners of the Company	**541**	1,310	2,170	3,128	1,254
Non-controlling interests	**47**	219	357	222	179
	588	1,529	2,527	3,350	1,433

ASSETS AND LIABILITIES

	At 31 March				
	2018	2017	2016	2015	2014
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total consolidated assets	**53,741**	43,059	42,060	33,322	32,144
Total consolidated liabilities	**(33,112)**	(26,246)	(25,360)	(18,119)	(20,796)
Net assets	**20,629**	16,813	16,700	15,203	11,348
Attributable to:					
Owners of the Company	**18,607**	15,479	15,092	13,739	10,822
Non-controlling interests	**2,022**	1,334	1,608	1,464	526
	20,629	16,813	16,700	15,203	11,348

Financial Review

For the year ended 31 March
Amounts expressed in HK$ millions (except for share data)

	2018	2017	2016	2015	2014
OPERATING RESULTS					
Revenue	**46,260**	42,845	42,695	40,135	39,480
EBIT	**1,273**	2,339	3,389	4,324	1,837
Profit attributable to owners of the Company	**541**	1,310	2,170	3,128	1,254
DATA PER SHARE (HK CENTS)					
Earnings per share – basic	**17.92**	44.64	75.89	110.71	44.64
Dividend per share	**9.0**	14.6	24.0	24.5	15.0
Dividend payout ratio	**50.9%**	33.6%	32.4%	39.2%#	33.6%
KEY STATISTICS					
Equity attributable to owners of the Company	**18,607**	15,479	15,092	13,739	10,822
Working capital	**12,134**	9,298	10,675	8,992	6,679
Cash position*	**10,153**	5,105	5,516	3,740	4,595
Borrowings	**9,322**	7,992	8,105	2,586	5,703
Corporate bonds (inclusive of interest)	**2,555**	–	–	–	–
Bills receivable	**6,750**	6,477	7,245	7,297	10,061
Trade receivables	**8,732**	5,671	5,290	5,258	4,347
Inventories	**6,486**	6,666	5,494	4,342	4,188
Depreciation and amortisation	**803**	701	661	460	406
KEY RATIOS					
ROE (%)	**2.9**	8.5	14.4	22.8	11.6
ROA (%)	**1.0**	3.0	5.2	9.4	3.9
Debt to equity (%)**	**57.6**	47.5	48.5	17.0	50.3
Net debt to equity***	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.4**	1.4	1.5	1.6	1.3
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**105**	102	106	120	128
Inventories turnover period (days)****	**62**	65	55	49	54
Gross profit margin (%)	**16.7**	20.0	21.9	20.0	19.3
EBITDA margin (%)	**4.5**	7.1	9.5	11.9	5.7
EBIT margin (%)	**2.8**	5.5	7.9	10.8	4.7
Profits margin (%)	**1.3**	3.6	5.9	8.3	3.6

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

** *(Borrowings + corporate bonds)/total equity*

*** *(Cash position + bills on hand – borrowings – corporate bonds)/total equity*

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

\# *Excluding one off gain and including special dividend of HK4.0 cents*

CALENDAR OF MAJOR IR ACTIVITIES

Time	Events
April 2017	• Nomura Shenzhen Corporate Day, Shenzhen China • UBS HK/China Small and Mid-Caps Corporate Day, Hong Kong • Macquarie Greater China Conference 2017, Hong Kong
June 2017	2016/17 Annual Results Announcement • Investors and Press Presentation, live webcasting • Post-result Hong Kong roadshow arranged by CLSA and CICC, Hong Kong • CICC "2017 2nd Half Year Investment Strategies Forum", Shanghai China • Citi "Greater Bay Area" Corporate Day 2017, Hong Kong • Plant Visit Tour and Meeting with Shenzhen Coocaa Management arranged by CLSA, Shenzhen China
July 2017	• 2016/17 Annual General Meeting, Hong Kong • First Panda Bond Roadshow arranged by Morgan Stanley Huaxin Securities, Beijing, Shanghai and Shenzhen China
August 2017	• Luncheon and Video Conference with Japan and Singapore markets, arranged by Daiwa Capital Markets HK, Hong Kong • Post annual results Singapore Roadshow arranged by J.P. Morgan, Singapore
September 2017	• Morgan Stanley China TMT Conference Rosewood, Beijing • 5th CICC London Annual Conference, London • 24th CLSA Investors' Forum, Hong Kong • UBS Access: Q3 Asia Tech Tour Meeting, Hong Kong
November 2017	2017/18 Interim Results Announcement • Post 2017/18 Interim Results Conference Call and Hong Kong roadshow arranged by CLSA, Hong Kong • Citics Annual Capital Market Forum 2018, Shenzhen China
December 2017	• Post annual results Tokyo Roadshow arranged by Daiwa Capital Markets, Tokyo Japan
January 2018	• 18th UBS Greater China Conference, Shanghai China
February 2018	• Post Interim Results Singapore Roadshow arranged by Citi, Singapore • Luncheon and Video Conference with Japan and Singapore markets arranged by Daiwa Capital Markets HK, Hong Kong
March 2018	• Morgan Stanley's Eighth Annual Hong Kong Investor Summit, Hong Kong • 2018 BAML Asia Pacific Telecom, Media & Technology Conference, Taipei Taiwan

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
Mr. Lin Jin *(Appointed with effect from 1 April 2018)*

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. Lin Jin
Mr. Sun Ruikun
Mr. Huang Mingyan
Mr. Sun Weizhong
Mr. Lam Shing Choi, Eric
Mr. Wu Wei
Mr. Wang Zhiguo

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
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 of Hong Kong Limited
Stock Code: 00751

IMPORTANT INFORMATION FOR 2017/18

Results Announcement Date
Annual Results: 12 June 2018 (Tuesday)

Important Details for Final Dividend
Final Dividend per share
HK9.0 cents, cash dividend only

Closure Period of the Register of Members
From 29 August 2018 (Wednesday) to 31 August 2018 (Friday), both days inclusive

Record Date
31 August 2018 (Friday)

Ex-entitlement Date
27 August 2018 (Monday)

Final Dividend Payment Date
Around 26 September 2018 (Wednesday)

COMPANY WEBSITE
http://www.skyworth.com

SKYWORTH

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Stock Code : 00751

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