

# Skyworth

## Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)  
Stock Code: 751

Interim Report 2009/10





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## FINANCIAL HIGHLIGHTS

Amounts expressed in HK\$ million (except for share data)

	Six months ended 30 September		Change
	2009 (unaudited)	2008 (unaudited)	
<b>OPERATING RESULTS</b>			
Turnover	<b>10,013</b>	7,380	+35.7%
Operating Profit (EBIT)	<b>776</b>	273	+184.2%
Profit attributable to owners of the Company	<b>573</b>	91	+529.7%
<b>FINANCIAL POSITION</b>			
Net (used in) cash from operating activities	<b>(172)</b>	1,261	-113.6%
Cash position*	<b>3,870</b>	2,381	+62.5%
Bank loans	<b>3,992</b>	1,383	+188.6%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	<b>17</b>	305	-94.4%
Equity attributable to owners of the Company	<b>5,033</b>	4,093	+23%
Working capital	<b>3,460</b>	2,433	+42.2%
Bills receivable	<b>5,057</b>	3,843	+31.6%
Bills discounted with recourse	<b>1,989</b>	58	+3,329.3%
Trade receivables	<b>2,499</b>	1,882	+32.8%
Inventories	<b>2,737</b>	1,990	+37.5%
<b>KEY RATIOS</b>			
Gross profit margin (%)	<b>22.7%</b>	18.6%	+4.1pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	<b>8.7%</b>	4.9%	+3.8pp
Profit margin (%)	<b>5.7%</b>	1.2%	+4.5pp
Return on equity holders of the Company (ROE) (%)	<b>23.1%</b>	4.4%	+18.7pp
Debt to equity (%)**	<b>80.6%</b>	33.8%	+46.8pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	<b>0.3%</b>	7.5%	-7.2pp
Net debt to equity	<b>Net Cash</b>	Net Cash	n/a
Current ratio (times)	<b>1.3</b>	1.3	-
Trade receivable turnover period (days)***	<b>121</b>	124	-2.4%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	<b>103</b>	120	-14.2%
Inventories turnover period (days)***	<b>56</b>	59	-5.1%
<b>DATA PER SHARE (HK CENTS)</b>			
Earnings per share – Basic	<b>24.83</b>	3.98	+523.9%
Earnings per share – Diluted	<b>24.02</b>	3.98	+503.5%
Dividend per share	<b>8.0</b>	1.0	+700%
Book value per share	<b>209</b>	178.9	+16.8%
<b>SHARE INFORMATION AT FINANCIAL PERIOD END</b>			
Number of shares in issue (million)	<b>2,371</b>	2,288	+3.6%
Market capitalisation	<b>8,512</b>	1,350	+530.5%

\* Cash position refers to bank balances and cash, including pledged bank deposits of approximately HK\$2,071 million

\*\* Bank loans and financial liabilities arising from discounted bills/equity attributable to owners of the Company at period end

\*\*\* Calculated based on average inventory/average sum of bills receivable and trade receivables





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Zhang Xuebin (*Executive Chairman and Chief Executive Officer*)

Ms. Ding Kai

Mr. Leung Chi Ching, Frederick (*Chief Financial Officer*)

Ms. Lin Wei Ping

Mr. Yang Dongwen

#### *Independent Non-executive Directors*

Mr. So Hon Cheung, Stephen

Mr. Li Weibin

Mr. Xie Zhengcai

Mr. Tsui Tsin Tong

### MEMBERS OF COMMITTEES

#### *Audit Committee*

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Li Weibin

Mr. Xie Zhengcai

Mr. Tsui Tsin Tong

#### *Executive Committee*

Mr. Zhang Xuebin (*Chairman*)

Ms. Ding Kai

Mr. Leung Chi Ching, Frederick

Ms. Lin Wei Ping

Mr. Yang Dongwen

Mr. Lu Rongchang

Mr. Liu Tangzhi

Mr. Wang Dehui

Mr. Kuang Yubin

Mr. Hu Zhaohui

Mr. Guo Limin

Ms. Dong Ning

Ms. Zhou Tong

Mr. Li Xiaofang

Ms. Shao Meifang

#### *Remuneration Committee*

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Leung Chi Ching, Frederick

Mr. Li Weibin

Mr. Xie Zhengcai

Mr. Tsui Tsin Tong

#### *Nomination Committee*

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Leung Chi Ching, Frederick

Mr. Li Weibin

Mr. Xie Zhengcai

Mr. Tsui Tsin Tong

### COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

### AUDITOR

Deloitte Touche Tohmatsu

### LEGAL ADVISOR

Richards Butler

### PRINCIPAL BANKERS

Bank of China

China Construction Bank

China Merchant Bank

Citic Ka Wah Bank

Industrial and Commercial Bank of China

Standard Chartered Bank (Hong Kong) Limited

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### PRINCIPAL PLACE OF BUSINESS

Rooms 1601-04 Westlands Centre

20 Westlands Road

Quarry Bay

Hong Kong

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front 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

Hong Kong

### SHARE LISTING

The Company's shares are listed on

Hong Kong Exchanges and Clearing Limited

Stock Code: 00751

### IMPORTANT INFORMATION FOR 2009/2010

#### *Results Announcement Date*

Interim results – 2 December 2009

#### *Dividend Per Share*

Interim dividend – HK8 cents

#### *Dividend Payment Date*

Interim dividend – 1 February 2010

#### *Closing Period of the Register of Members*

Interim – From 24 December 2009 to 31 December 2009  
both dates inclusive

### COMPANY WEBSITE

<http://www.skyworth.com>



## OPERATIONAL AND FINANCIAL REVIEW

### RESULT HIGHLIGHTS

The Group achieved unprecedented success in the six months ended 30 September 2009 (the “Period”). It recorded superb results for the Period which are summarised as follows:

- Turnover substantially increased 35.7% from that of the same period last year, reached HK\$10,013 million (89.7% from mainland China market).
- Sales of television (“TV”) products and digital set-top boxes accounted for 90.1% and 8.2% of the Group’s total turnover, respectively.
- Gross profit increased 66.6% from the same period of previous year, achieved HK\$2,272 million, which represented 22.7% of turnover.
- Unaudited profits before non-controlling interests significantly increased by 429.6% to HK\$609 million.
- The Board announced to declare an interim cash dividend of HK8 cents per share with an option to elect new shares in lieu of cash.

### BUSINESS PERFORMANCE REVIEW

#### *Record growth in turnover*

The Group’s turnover for the Period soared 35.7%, from HK\$7,380 million same period last year to HK\$10,013 million.

The Group’s leading industrial skills, differentiation in product functions, excellent product structures, nationwide sales distribution network channels, as well as flexible marketing and promoting strategies contributable to its core business as the leading TV manufacturer of the domestic mainland China market manifested the success in building a significant growth in turnover during the Period. The China government’s extensive subsidising policies such as the “Home Appliances to the Countryside” commenced nationwide in February 2009 and the “Swapping Old to New” programmes recently started its pilot run to stimulate domestic economy were also contributory factors to the turnover growth. The gradual fall in LCD TV retail prices broadened its popularity across China, and the distribution momentum swung quickly towards third and fourth tier cities. The Group closely accorded with government regulations in promoting electronic waste management, energy-saving subsidy and high-definition channel expansion, to achieve Group’s a healthy and wonderful life mission, differentiating a distinct digital audio-visual experience.

#### *Turnover analysis by geographical and product segments*

##### *Mainland China market*

The mainland China domestic market derived 89.7% of the Group’s total turnover. For the Period, this sector attained a 45.5% growth in turnover, from HK\$6,172 million the same period last year to HK\$8,982 million.

TV products constituted the Group’s core business and generated 93.5% of the overall turnover in mainland China. Digital set-top boxes yielded 4.9% of the overall turnover in the same market. Other products attributed to the remaining 1.6% turnover in this market including LCD modules, moulds, audio-visual and electrical appliances businesses.



## TV products

The Group focused on high-end TV market, recognized the degree of penetration across China as one critical key to success, and concerted constant effort to develop the core business. During the Period, the TV products in the domestic market strove up 50.7% from the same period last year to HK\$8,402 million sales, achieving a double success in revenue as well as market share. From the September 2009 market survey from All View Consulting Ltd, a reputable market researcher, covering the period between October 2008 and September 2009 across 312 major cities and 3,308 retail terminals in mainland China, Skyworth stroked first in cumulative sales volume, equivalent to 15.1% of total market share, and second in cumulative sales amount, equivalent to 12.6% of total market share.

Extensive domestic LCD TVs consumption led to rapid contraction of traditional cathode ray tubes (“CRT”) TV market. The Group focused on further sales channeling by “products, services, brand effects, and industrial trends to the countryside” to entrench the market-oriented product mix with composition completely concentrated on LCD TVs. As a result, over 2.7 million high-end TV sets under **Skyworth** brand were sold in the domestic market, equivalent to more than 96.0% of the same period last year, accounting for 84.2% of the total domestic TV sales volume. The Group adhered to product- and market-oriented development of leading-edge products, which is the fundamental to obtain a dominating market position in the long run.

Other key factors contributing to the improvement of TV products turnover including:

- allocating best resources to pioneer leading icon products that were well received by the market, including the Skyworth online CooCaa TV (the first available Network TV integrating online multimedia entertainment functions, presenting CooCaa Movie and CooCaa OK) and light-emitting diode (“LED”) backlight TV series;
- researching on energy-saving LCD TVs to enhance Group image in corporate environmental responsibility;
- attaining accreditations such as industrial awards and overall consumer recognitions to enhance business growth through brand value upgrades;
- enhancing bargaining power of raw material procurement, improving product cycle and pricing, maintaining effective chain support and cost controls through vertical integration to maintain competitiveness; and
- deriving synergy from strategic partnerships to pursue business growth in collaboration to achieve overall improvement within the same industry.

## Digital set-top boxes

The digital set-top boxes turnover in mainland China slipped 6.0% from HK\$470 million sales in the same period last year to HK\$442 million. The slight decrease was attributed to the business unit’s slight adjustments towards its distribution targets to achieve a better financial position during the Period.

The domestic demand for digital set-top boxes remained stable during the Period. Although market capacity was expected to remain constant, the market benefited from the China government’s effort to promote high-definition broadcasting, building the Group’s confidence with further expansion opportunities. With stable market share, the Group maintained a leading position in the market, enhancing the development of better products with value-added features such as invention patented energy-saving products.

## LCD Modules

With LCD technology becoming mature and LED backlight technology gaining nationwide acceptance, the Group seized opportunities from its successful structural shift, expanding its strategic position with key global players as their original equipment manufacturing (“OEM”) provider for LCD modules. Besides providing OEM services on small LCD modules specifically for mobile phones, the Group also extended its product range to include LCD modules and LED backlight modules for TV to meet internal and external demands.



The increasing popularity of LCD products uplifted economies of scale, creating greater spans for profitability. During the Period, the business unit had outstanding performance, with new customer development and commencing production plant operation, resulting in HK\$16 million growth in turnover, or 25.6% from the same period last year.

#### *Overseas markets*

The sales generated from overseas markets accounted for HK\$1,000 million, or 10.0% of the total turnover for the Period, which slipped 15.1% from HK\$1,178 million as stated in the interim report last year.

#### *TV products*

The sales amount of overseas TV products for the Period was HK\$617 million, or 61.7% of the total overseas turnover, slipping 39.1% from the same period last year.

The overseas TV sales laid foundation on the long-term relationships with international major TV brand names through providing internationally recognized leading OEM and original design manufacturing (“ODM”) services for TV products in overseas markets. In consideration of the market transformation from the phasing-out CRT TV market, the business unit was in the process of rebuilding a better customer base, which was necessary to optimize operation through consolidating best resources integration to enhance profitability, causing the slowing sales during the Period. The increase in gross margin reflected an initial success of the structural integration with gradual business convergence.

#### *Digital set-top boxes*

The sales amount of overseas set-top boxes for the Period increased 130.3% to HK\$380 million from the same period last year.

The Skyworth digital set-top boxes’ better recognitions from existing and new customers guaranteed sustainable growth during the Period. Increasing efforts in the rising overseas markets put the business unit into a better financial position as a whole. Great breakthroughs from the soaring demands in European retail market and the high-record growth in new distribution markets expansion such as India and Latin America all contributed to the substantial progress.

#### ***Geographical distribution***

During the Period, the arising overseas digital set-top boxes sales countered falling overseas TV sales rebalanced the major regional distribution markets. Nonetheless, Asia, Europe, and America remained as the Group’s dominant overseas markets, with aggregated 87% of the total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(%)</b>	(%)
Europe	<b>34</b>	31
Asia (including Japan, Korea, Vietnam, etc.)	<b>23</b>	17
America	<b>30</b>	40
Middle East	<b>5</b>	7
Africa	<b>6</b>	3
Australia and New Zealand	<b>2</b>	2
	<b>100</b>	100



### **Gross margin**

For the Period, the Group witnessed a meaningful growth in overall gross margin of 4.1 percentage points to 22.7% in comparison to the same period last year.

The major improvement in gross margin came from all business units' effort in improving productivity and reducing production costs. The mainland China and overseas TV gross margin achieved 3.5 percentage points and 2.3 percentage points increases, respectively; while digital set-top boxes slipped by 2.0 percentage points and other products business units increased 12.0 percentage points in gross margin.

The Group evaluated the rapid changing market caused by drastic transformation in LCD technologies, strengthened cost management controls, executed effective gross margin measures, confronted any market shifts with every effort to enforce its leading market presence, extending stakeholders' interests to the maximum. Additional product development investments imported technological and industrial advantages to lay a solid foundation in innovations to elevate market competitiveness, and assisted to minimize risks from the external business environment.

### **Selling and distribution expenses**

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, sales and marketing related salaries, and transportation expenses. During the Period, S&D expenses rose 22.2% or HK\$232 million from the same period last year to HK\$1,278 million. Contrastingly, the ratio of S&D expense to turnover reduced 1.4 percentage points from 14.2% to 12.8%. This significant reduction of S&D expenses to turnover evidenced management's claim on their ability to take advantage of operating leverage.

In addition to the extra promotional forces and sales-related incentives required to climax the Period's impressive results, other expenses are reasonably constrained. Year 2008's considerably brand uplifting investments to recite corporate image opened a rewarding path for the Period. The advertising and promotion expenditure for the Period merely increase HK\$53 million from the same period last year, which was incommensurate to the explicit sales growth. Main charges for the Period were the renovations to get counters and booths LCD TV image-ready as well as increasing counters to further market penetration. In the long run, the Group committed to continuously improve brand reliability including enhancement of production management through reducing defective rate, production costs and overall product warranty allowance to assure corporate responsibilities to stakeholder.

### **General and administrative expenses**

The Group's general and administrative ("G&A") expenses for the Period rose significantly by HK\$30 million or 10.2% to HK\$321 million from the same period last year. The G&A expenses to turnover ratio for the Period has improved by 0.7 percentage points to 3.2%.

The increase in G&A expenditure during the Period primarily due to the substantial increased employee related costs associated with the Group's practice to reward employees in contributing efforts towards good results. In addition, the Group endured concentrations on high consciences in asset protection, encouragement on harmonious working culture, effectiveness on operation system performance, and enhancement on product design platform to ensure balance use of resources. Well coordination of research, production, sales and supply strengthened the Group with well-equipped human capital and smooth operations. The Group constantly reviewed and improved internal management systems and process control systems to ensure cost objectives achieved.





### ***Inventory control***

The net carrying value of the Group's inventories reached HK\$2,737 million at the Period end, representing an increase of HK\$1,470 million or 116.0% from the balance as at 31 March 2009 and an increase of HK\$747 million or 37.5% from the balance as at 30 September 2008.

Shifting from traditional CRT TVs to flat-panel TVs changed in production and inventory structures, leading gradual contraction of CRT TV market. The Group diminished CRT TV production to avoid adverse impacts and to assure effective use of working capital. Increasing production of flat-panel TVs demands with high unit costs imposed a direct impact on inventory value.

The Group emphasized on effective inventory, logistics and supply-chain management to manage the risks from slow-moving and obsolete inventories and to cater current fast changing market appetite. The Group's results ascertained by a series of effective logistics and supply chain management measures, such as using inventory status as a factor for key performance indicator and setting up a regional distribution warehouse network, enabled shielding operational resources successfully, strengthening production flow, and preventing related risks.

The China government's policies driven domestic demands, set the production pace in coop with the surging demands, accelerating inventory turnaround. At the Period end, the inventory turnover days for raw materials and finished goods were 16 days and 28 days, respectively; while as at 31 March 2009, the turnover days were 15 days and 29 days, respectively. This sustainability of fast turnover days was a direct effect from management's fruitful effort in controlling the level of the Group's inventory.

### ***Trade receivables and bills receivable***

At 30 September 2009, the Group had a total of HK\$7,556 million trade receivables and bills receivable. Comparing to the previous year ended on 31 March 2009, the two receivables increased HKD\$1,614 million, or 27.2%. Trade receivables increased HK\$1,096 million or 78.1% to HK\$2,499 million, whilst bills receivable reduced HK\$518 million or 11.4% to HK\$5,057 million. Such increase is coherent with September being a normal high sales season as it was the October National Day Golden Week in mainland China.

Comparing to the same Period ended last year, trade receivables and bills receivable increased HK\$617 million and HK\$1,214 million, respectively. The total receivables at the Period end increased HK\$1,831 million or 32.0%, concurrently with the 35.7% growth in sales. As bills receivable are naturally higher in recoverability than general trade agreements, the Group's higher in bills receivables than trade receivables in proportion to total receivables at Period end indicated Group's ability to control potential risks arising from doubtful debts.

### ***Trade payables and bills payable***

At 30 September 2009, the Group's trade payables and bills payable amounted to HK\$3,987 million and HK\$1,072 million, respectively. As compared with that at 31 March 2009, the two payables increased by HK\$1,124 million and HK\$881 million, respectively. Compared with the amounts at 30 September 2008, the trade payables dropped HK\$323 million or 7.5%, whilst the bills payable grew by HK\$803 million or 298.5%. Although the costs of raw materials to produce LCD TVs reduced, the needs to support growing sales required corresponding adequacy in inventory level necessitated the above payable balances.



## LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group maintained a strong financial position. The Group's net current assets at the Period end rose HK\$549 million from 31 March 2009. Bank balances and cash reached HK\$1,799 million, which increased HK\$414 million and HK\$563 million from that as at the year ended and same Period ended last year, respectively; whilst pledged bank deposits reached HK\$2,071 million at the Period end, representing an increase from that as at the year ended and same Period ended last year of HK\$1,917 million and HK\$926 million, respectively. The significant increase in pledged bank deposits during the Period reflected the new engagements of foreign exchange arrangements with financial institutions as disclosed in note 5 of the interim report.

The low discount rates continuously provided the Group with cost-effective financing channels to congregate flexibilities in its funding requirements. The balance of the discounted bills with recourse that would be released upon maturity amounted to HK\$1,989 million and HK\$1,157 million recorded at 30 September 2009 and at 31 March 2009, respectively.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$2,071 million bank deposits, 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\$235 million at the Period end.

The Group's current gearing maintained healthy. The Group's gearing ratio was 0.3% at the Period end, which was 3.1 percentage points lower than the year ended last year. The ratio calculated with reference to HK\$17 million short-term bank borrowing and HK\$5,033 million shareholders' fund, not taking into account the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements. Such ratio became 79.3% should the total bank borrowings be HK\$3,992 million, which included HK\$17 million short-term bank loan, HK\$1,989 million discounted bills with recourse and HK\$1,986 million foreign exchange arrangements.

## TREASURY POLICY

Most of the Group's major investments and revenue stream situate in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi; others include Hong Kong dollars and US dollars. During the Period, the Group recognised a net gain of HK\$8 million from foreign exchange.

The Group engaged forward contracts with certain commercial banks as currency risk management tools. Such easily accessible financial instruments accounted for foreign currency fluctuations and anticipated Renminbi appreciation, locking the return by fixing a predetermined US dollar to Renminbi forward rate, and managed currency fluctuations occurred when settling payable balances in US dollars. As at the Period ended, total related Renminbi fixed deposits and US dollar loans amounts were HK\$1,982 million and HK\$1,987 million respectively. The related interest incomes arising from fixed deposits and exchange gain on US dollar loans were HK\$11 million and HK\$3 million, respectively. The finance costs to the loans and the loss from changes in fair values were HK\$8 million and HK\$25 million, respectively. For details of the arrangements, please refer to note 5 of the interim financial report.

## SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Period, the Group invested HK\$36 million in mainland China mainly for production plant and the ongoing logistic centers constructions and HK\$13 million on setting up LCD module production line. The Group also invested HK\$14 million to further improve related ancillary products; and spent approximately HK\$104 million on acquisition of other property, plant and equipment for normal business operation and expansion.



## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2009.

## HUMAN RESOURCES CAPITAL

At the Period end, the Group recruited over 23,000 employees in Hong Kong, Macau and mainland China, including salespersons spread throughout 40 branch offices and 169 sales offices. The Group reserved proportionate resources to stabilize and to extend human capital to enhance productivity and long-term plans execution.

Details of the Group's remuneration policy, and the Remuneration Committee and the Nomination Committee's duties and work performed were disclosed in the "Corporate Governance Report" of the Company's annual report 2008/09.

## OUTLOOK

The global financial crisis in Year 2008 had brought challenges and opportunities to the business environment. To guarantee steady returns and healthy business development, the Group seized every opportunity from the market with foresight and soothed the sharp turns into a broad road, inducing enormous escalation in results over the Group's originally set overall annual target. In views of the China government's strong determination in extending consumption with regulatory policies to strengthen stable economic growth, the Group sets objectives coherent with the state's long-term goals. The Group projects LCD TV sales to remain strong continuous growth in sales and profit in mainland China, with an increase in annual targeted overall TV sales volume from 6.2 million units to 6.5 million units, and a decrease of annual targeted overall TV sales volume in the overseas TV markets from 2.0 million units to 1.7 million units.

The China TV and related industries enter into a fast growing golden decade. The fast paced digital TVs and related markets transformation from globalization creates a greater span for industrial value. It is expected China to become the world's largest LCD TV consumer market, with the commencements of the "Home Appliances to the Countryside" and the "Swapping Old to New" government schemes triggering the domestic consumption trends, dominating economic growth patterns, driving an extensive development in the Chinese economy over the next decade. Meanwhile, the China's panel TV industrial chain becomes more integrated as upstream LCD panel manufacturers substantially set up facilities in the mainland China with ramp up of domestic LCD module production lines gradually begin to operate. The upgrades and convergence of technology bases on computer, communication, consumer electronics, and content technologies such as karaoke, internet content service, further expanding product range and value with fast launching of sophisticated multimedia entertainment applications, strengthening the competitive edges of the domestic TV manufacturers in their global positions.

In the long run, the Group continues to manage its business with prudent principles to maintain a sound financial position. The Group also adopts objective-oriented management and precautionary measures as a fundamental, and reviews the target achievability regularly, to optimize working capital management proactively.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2009

Amounts expressed in HK\$ million (except for earnings per share data)

	NOTES	Six months ended 30 September 2009 (unaudited)	2008 (unaudited)
Turnover	3	10,013	7,380
Cost of sales		(7,741)	(6,016)
Gross profit		2,272	1,364
Other income		111	153
Exchange gains		17	66
Selling and distribution expenses		(1,278)	(1,046)
General and administrative expenses		(321)	(291)
Change in fair value of derivative financial instruments	5	(25)	27
Finance costs	6	(34)	(87)
Share of results of jointly controlled entities		6	6
Profit before taxation		748	192
Income taxes	7	(139)	(77)
Profit for the period	8	609	115
<b>Other comprehensive income</b>			
Exchange differences arising on translation to Group's presentation currency		2	73
Surplus (deficit) on revaluation of available-for-sale investments		1	(6)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		–	(7)
Other comprehensive income for the period		3	60
Total comprehensive income for the period		612	175
Profit for the period attributable to:			
Owners of the Company		573	91
Non-controlling interests		36	24
		609	115
Total comprehensive income for the period attributable to:			
Owners of the Company		576	149
Non-controlling interests		36	26
		612	175
<b>Earnings per share (expressed in HK cents)</b>			
Basic	9	24.83	3.98
Diluted	9	24.02	3.98



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

Amounts expressed in HK\$ million

	NOTES	As at 30 September 2009 (unaudited)	As at 31 March 2009 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1,477	1,433
Investment properties	11	6	–
Prepaid lease payments on land use rights		231	234
Interests in jointly controlled entities	12	118	113
Interest in an associate		–	–
Other receivable	13	87	84
Available-for-sale investments		30	29
Prepayment		16	20
Deferred tax assets		15	31
		<b>1,980</b>	1,944
<b>Current assets</b>			
Inventories	14	2,737	1,267
Prepaid lease payments on land use rights		5	5
Trade and other receivables	15	3,191	1,759
Bills receivable	16	5,057	4,539
Amounts due from shareholders of non-controlling interests		1	1
Amounts due from jointly controlled entities		10	9
Pledged bank deposits		2,071	154
Bank balances and cash		1,799	1,385
		<b>14,871</b>	9,119
<b>Current liabilities</b>			
Trade and other payables	17	5,882	4,322
Bills payable	18	1,072	191
Obligation arising from put option written to non-controlling interests	19	186	24
Derivative financial instruments	5	27	1
Provision for warranty		33	36
Amounts due to jointly controlled entities		4	12
Tax liabilities		145	125
Secured bank borrowings	20	3,992	1,429
Deferred income		70	68
		<b>11,411</b>	6,208
<b>Net current assets</b>		<b>3,460</b>	2,911
<b>Total assets less current liabilities</b>		<b>5,440</b>	4,855
<b>Non-current liabilities</b>			
Obligation arising from put option written to non-controlling interests	19	–	154
Provision for warranty		29	31
Deferred income		202	201
Deferred tax liabilities		96	65
		<b>327</b>	451
<b>NET ASSETS</b>		<b>5,113</b>	4,404
<b>Capital and reserves</b>			
Share capital	21	237	228
Share premium		1,279	1,188
Share option reserve		88	84
Investment revaluation reserve		4	3
Surplus account		38	38
Capital reserve		216	202
Exchange reserve		489	487
Accumulated profits		2,682	2,123
Equity attributable to owners of the Company		<b>5,033</b>	4,353
Non-controlling interests		80	51
		<b>5,113</b>	4,404





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2009

Amounts expressed in HK\$ million

	Attributable to owners of the Company								Total	Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits			
At 1 April 2008 (audited)	229	1,196	73	13	38	178	408	1,813	3,948	4	3,952
Profit for the period	-	-	-	-	-	-	-	91	91	24	115
Exchange differences arising on translation to Group's presentation currency	-	-	-	-	-	-	71	-	71	2	73
Deficit on revaluation of available-for-sale investments	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Total comprehensive income for the period	-	-	-	(6)	-	-	64	91	149	26	175
Recognition of equity-settled share based payments	-	-	6	-	-	-	-	-	6	-	6
Shares repurchased and cancelled	(1)	(9)	-	-	-	-	-	-	(10)	-	(10)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	1	1
At 30 September 2008 (unaudited)	228	1,187	79	7	38	178	472	1,904	4,093	31	4,124
At 1 April 2009 (audited)	<b>228</b>	<b>1,188</b>	<b>84</b>	<b>3</b>	<b>38</b>	<b>202</b>	<b>487</b>	<b>2,123</b>	<b>4,353</b>	<b>51</b>	<b>4,404</b>
Profit for the period	-	-	-	-	-	-	-	573	573	36	609
Exchange difference arising on translation to Group's presentation currency	-	-	-	-	-	-	2	-	2	-	2
Surplus on revaluation of available-for-sale investments	-	-	-	1	-	-	-	-	1	-	1
Total comprehensive income for the period	-	-	-	1	-	-	2	573	576	36	612
Recognition of equity-settled share based payments	-	-	4	-	-	-	-	-	4	-	4
Transfer to capital reserve	-	-	-	-	-	14	-	(14)	-	-	-
Issue of shares under share option schemes	9	91	-	-	-	-	-	-	100	-	100
Dividends paid	-	-	-	-	-	-	-	-	-	(8)	(8)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	1	1
At 30 September 2009 (unaudited)	<b>237</b>	<b>1,279</b>	<b>88</b>	<b>4</b>	<b>38</b>	<b>216</b>	<b>489</b>	<b>2,682</b>	<b>5,033</b>	<b>80</b>	<b>5,113</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the period ended 30 September 2009**Amounts expressed in HK\$ million*

	<b>Six months ended</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>(172)</b>	1,261
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Dividend received	–	3
Interest received	<b>6</b>	44
Purchase of property, plant and equipment	<b>(153)</b>	(180)
Proceeds from disposal of property, plant and equipment	<b>11</b>	1
Investments in jointly controlled entities	–	(39)
Net cash inflow from acquisition of a subsidiary	<b>1</b>	–
Increase in other receivable	–	(109)
Proceeds from disposal of available-for-sales investments	<b>2</b>	–
(Increase) decrease in pledged bank deposits	<b>(1,917)</b>	725
	<b>(2,050)</b>	445
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Interest paid	<b>(18)</b>	(78)
Dividends paid	<b>(8)</b>	–
Contributions from non-controlling interests	<b>1</b>	1
Issue of shares	<b>100</b>	–
New bank loans raised	<b>1,956</b>	406
Repayment of borrowings	<b>(1,304)</b>	(1,445)
Net proceeds from (repayment of) funds arising from discounting of bills with recourse	<b>1,906</b>	(775)
Payments on repurchase of shares	–	(10)
	<b>2,633</b>	(1,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>411</b>	(195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>1,385</b>	1,389
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>3</b>	42
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>1,799</b>	1,236



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2009

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The preparation of condensed consolidated financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2009.

The Group’s operations are seasonal, the turnover from September to January, peak season for sales of consumer electronic products in mainland China, is relatively higher than the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2009.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009. During the current period, the Group has adopted the following accounting policy for investment properties.

#### ***Investment properties***

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

On initial recognition, investment properties are 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 charged 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 item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation. Subsequent to the change, the property is stated at deemed cost, equivalent to the carrying amount of the property at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.



In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programme
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013



The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER

Turnover represents the aggregate value of goods sold after goods returns, trade discounts and sales related taxes, and rental income from leasing of properties for the period.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
Sales of TV products	<b>9,004</b>	6,590
Sales of digital set-top boxes	<b>821</b>	635
Sales of other electronic products	<b>142</b>	125
Property rental income	<b>46</b>	30
	<b>10,013</b>	7,380

### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.





In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. TV products, Digital set-top boxes, other electronics products, property holding). However, information reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment had further categorised the Group's reportable and operating segments as follows:

1. TV products (PRC market) – design, manufacture and sale of televisions in The People's Republic of China ("PRC")
2. TV products (overseas market) – design, manufacture and sale of televisions in overseas market
3. Digital set-top boxes – design, manufacture and sale of digital set-top boxes
4. Other electronic products – design, manufacture and sale of other products mainly relate to electronics
5. Property holding – leasing of property

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

**Six months ended 30 September 2009**

	TV products (PRC market) (unaudited) HK\$ million	TV products (Overseas market) (unaudited) HK\$ million	Digital set-top boxes (unaudited) HK\$ million	Other electronic products (unaudited) HK\$ million	Property holding (unaudited) HK\$ million	Eliminations (unaudited) HK\$ million	Consolidated (unaudited) HK\$ million
<b>Revenue</b>							
External sales and rental income	8,374	645	821	142	31	-	10,013
Inter-segment sales and rental income	66	-	-	103	23	(192)	-
<b>Total</b>	<b>8,440</b>	<b>645</b>	<b>821</b>	<b>245</b>	<b>54</b>	<b>(192)</b>	<b>10,013</b>
Inter-segment sales and rental income are charged at prevailing market rates.							
<b>Result</b>							
Segment result	647	9	137	29	13	-	835
Interest income							22
Unallocated corporate expenses less income							(81)
Finance costs							(34)
Share of results of jointly controlled entities							6
Profit before taxation							748
Income taxes							(139)
Profit for the period							609



Six months ended 30 September 2008

	TV products (PRC market) (unaudited) HK\$ million	TV products (Overseas market) (unaudited) HK\$ million	Digital set-top boxes (unaudited) HK\$ million	Other electronic products (unaudited) HK\$ million	Property holding (unaudited) HK\$ million	Eliminations (unaudited) HK\$ million	Consolidated (unaudited) HK\$ million
<b>Revenue</b>							
External sales and rental income	5,539	1,051	635	125	30	-	7,380
Inter-segment sales and rental income	12	-	-	27	21	(60)	-
<b>Total</b>	<b>5,551</b>	<b>1,051</b>	<b>635</b>	<b>152</b>	<b>51</b>	<b>(60)</b>	<b>7,380</b>

Inter-segment sales and rental income  
are charged at prevailing market rates.

**Result**

Segment result	194	(2)	116	27	9	-	344
Interest income							46
Unallocated corporate expenses less income							(117)
Finance costs							(87)
Share of results of jointly controlled entities							6
Profit before taxation							192
Income taxes							(77)
Profit for the period							115

Segment profit represents the profit earned by each segment without allocation of corporate expenses less income, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment.

**5. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	<b>As at 31 March 2009 (audited) HK\$ million</b>
Derivative financial instruments is analysed as:		
Foreign currency forward contracts (Note 1)	3	1
Target redemption forward contract (Note 2)	24	-
	<b>27</b>	<b>1</b>



	<b>Six months ended 30 September</b>	
	<b>2009 (unaudited) HK\$ million</b>	2008 (unaudited) HK\$ million
Change in fair value of derivative financial instruments comprise:		
Foreign currency forward contracts (Note 1)	(1)	27
Target redemption forward contract (Note 2)	(24)	–
	<b>(25)</b>	<b>27</b>

*Note 1: Foreign currency forward contracts*

During the period, the Group entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 months/one year US dollar loans from these banks for settlement of its US dollar payable to suppliers denominated in US dollar. At the same time, the Group (a) placed 6 months/one year Renminbi fixed deposits (amounted to the Renminbi equivalent of the respective amounts of US dollar loans plus interests thereon) to the banks as security against the US dollar loans, and (b) entered into non-delivery forward contracts with the banks to notionally purchase US dollars (amounted to the US dollar loans plus interests thereon) by notionally selling Renminbi at predetermined forward rates.

As at 30 September 2009, the US dollar loans of HK\$1,987 million (31 March 2009: HK\$125 million) and fixed deposits denominated in Renminbi of HK\$1,982 million (31 March 2009: HK\$125 million) are included in other bank loans and pledged bank deposits as disclosed in notes 20 and 23 respectively.

The related interest income on the fixed deposits of HK\$11 million (six months ended 30 September 2008: HK\$36 million) and exchange gain on US dollar loans of HK\$3 million (six months ended 30 September 2008: HK\$40 million) are included in condensed consolidated statement of comprehensive income, while the interest expenses on US dollar loans of HK\$8 million (six months ended 30 September 2008: HK\$54 million) are included in finance cost as disclosed in note 6.

Major terms of foreign currency forward contracts, each with single maturity date, are as follows:

**As at 30 September 2009**

<b>Aggregate Principal amount</b>	<b>Maturity</b>	<b>Forward exchange rate (net settlement)</b>
US\$16,092,505	From January 2010 to March 2010	Buy US\$/ sell RMB at 6.8745 to 6.8856
US\$123,292,855	From April 2010 to June 2010	Buy US\$/ sell RMB at 6.7120 to 6.8802
US\$116,891,694	From July 2010 to September 2010	Buy US\$/ sell RMB at 6.7630 to 6.8900

As at 31 March 2009

Aggregate Principal amount	Maturity	Forward exchange rate (net settlement)
US\$16,092,505	From January 2010 to March 2010	Buy US\$/ sell RMB at 6.8745 to 6.8856



*Note 2: Target redemption forward contract*

During the period, the Group entered into a two-year target redemption forward contract with a bank, the purpose of which is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollar. The target redemption forward contract comprises non-deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates (the "Expiry Date"), save for the event leading to the knock-out and termination of the contract as discussed below.

At each expiry date:

- (i) if the US dollar to RMB spot exchange rate (the "Spot Rate ") is greater than or equal to the lower barrier rate (buy US\$/ sell RMB at 6.63, the "Lower Barrier Rate") and less than or equal to the upper barrier rate (buy US\$/ sell RMB at 6.90, the "Upper Barrier Rate") as specified in the contract, the Group would receive a predetermined fixed amount of RMB600,000 which would be settled in US dollar equivalent.

The contract would be knocked-out and terminated when the cumulative net settlements received by the Group reach RMB7,200,000 as stipulated in the contract;

- (ii) if the Spot Rate is either greater than the Upper Barrier Rate; or fall between the Lower Barrier Rate and the rate specified in the contract (buy US\$/ sell RMB at 6.50, the "Contract Rate"), there would have no settlement;
- (iii) if the Spot Rate is less than the Contract Rate, the Group would pay to the bank a net settlement calculated based on the difference between the Spot Rate and the Contract Rate times a notional amount of US\$20 million, settled in US dollar equivalent. There are no knock-out and termination features for losses.

Unrealised loss of HK\$24 million has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2009.

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
Interest on bank borrowings wholly repayable within five years	<b>26</b>	80
Imputed interest expenses on obligation arising from put option written to non-controlling interests	<b>8</b>	7
	<b>34</b>	87



## 7. INCOME TAXES

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
The tax charge comprises:		
Hong Kong income tax		
Current period	–	–
Under provision in prior periods	–	1
	–	1
PRC income tax		
Current period	<b>93</b>	65
Deferred taxation		
Current period	<b>46</b>	11
	<b>139</b>	77

No provision for Hong Kong Profits Tax has been made as the relevant entities comprising the Group have no assessable profits derived from or arising in Hong Kong for both periods presented.

PRC income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is the rate prevailing in the areas in which the Group operates.

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and exempted from PRC income taxes for the period.





## 8. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	<b>7,676</b>	5,989
Depreciation and amortisation of property, plant and equipment	<b>96</b>	91
Exchange losses	<b>9</b>	13
Fair value adjustment upon initial recognition of		
– other receivable	–	29
– trade receivable from sale on instalment basis	<b>7</b>	–
(Gain) loss on disposal of property, plant and equipment	<b>(1)</b>	2
Impairment losses on trade receivables	<b>10</b>	9
Interest income:		
Interest income from bank deposits	<b>(17)</b>	(44)
Imputed interest income from		
– other receivable	<b>(3)</b>	(2)
– trade receivable from sale on instalment basis	<b>(2)</b>	–
	<b>(22)</b>	(46)
Release of prepaid lease payments on land use rights	<b>2</b>	2
Rental income from leasing of properties less related outgoings of HK\$18 million (2008: HK\$21 million)	<b>(28)</b>	(9)
Reversal of impairment losses recognised in respect of available-for-sale investments	<b>(2)</b>	–
Reversal of provision on onerous contracts	–	(13)
Staff costs, including directors' emoluments	<b>699</b>	516
Write-down of inventories	<b>47</b>	6



## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>573</b>	91
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,307,533,778</b>	2,284,315,896
Effect of dilutive potential ordinary shares: – Share options granted	<b>77,641,009</b>	3,372,987
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,385,174,787</b>	2,287,688,883

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.

## 10. DIVIDENDS

The Company did not make any payments of dividend during the period (for the six months ended 30 September 2008: Nil).

Subsequent to 30 September 2009 and on 22 October 2009, a dividend of HK7 cents per share totally amounting to HK\$165 million (2008: HK\$103 million) was paid to shareholders as the final dividend for the year ended 31 March 2009. Of such final dividend, amounting to HK\$125 million (2008: Nil) was satisfied by way of scrip dividend by an allotment of new shares of the Company to be credited as fully paid.

The Board of Directors has resolved that an interim dividend of HK8 cents per share for the year ending 31 March 2010 to be paid to the shareholders of the Company whose names appear in the Register of Members on 23 December 2009 with an option to elect new shares in lieu of cash.



## 11. MOVEMENTS IN PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current period, certain properties with carrying amount of HK\$6 million (for the six months ended 30 September 2008: nil) had been transferred from property, plant and equipment to investment properties upon the end of owner-occupation.

Besides, the Group had incurred HK\$49 million (for the six months ended 30 September 2008: HK\$113 million) in construction in progress, mainly for the development of a factory plant situated on land in the PRC held under medium-term leases, and spent approximately HK\$104 million (for the six months ended 30 September 2008: HK\$67 million) on the acquisition of other property, plant and equipment for business operation and expansion.

## 12. MOVEMENTS IN INTERESTS IN JOINTLY CONTROLLED ENTITIES

In the current period, the Group acquired the remaining issued shares of its 51% owned jointly controlled entity principally engaged in the provision of network services from the joint venture partner for a consideration of HK\$3 million.

In 2008, the Group incurred HK\$39 million in interests in jointly controlled entities, mainly for setting up of a 50% owned jointly controlled entity principally engaged in the business of research and development on liquid crystal display ("LCD") modules.

The Group's jointly controlled entities had contributed a total result of HK\$6 million to the Group, which had been equity accounted for in the condensed consolidated statement of comprehensive income (for the six months ended 30 September 2008: HK\$6 million).

## 13. OTHER RECEIVABLE

On 17 January 2008, the Group entered into a contract to invest RMB97 million (approximately HK\$109 million) for a non-controlling interest in an unlisted PRC company (the "unlisted equity securities"), which operates a LCD module factory in the PRC.

On 6 June 2008, the Group has invested the total amount of RMB97 million upon the receipt of the approval and registration documents from the relevant government authorities. There are put and call options granted to the Group and the majority shareholder of that unlisted equity securities (the "majority shareholder") respectively, which enable the Group to require the majority shareholder to purchase/the majority shareholder to require the Group to sell the Group's interest in the unlisted equity securities at the original consideration of RMB97 million after a 5 year lock-up period from the date of capital injection.

As at the reporting date, the consideration paid has not been recognised as an investment of the Group. In the opinion of the directors, the majority shareholder has retained control and significant risks and rewards over the entire unlisted equity securities. Therefore, the consideration paid by the Group is classified as other receivable which is interest-free and is considered to be repayable on demand after the 5 year lock-up period.

The receivable had been recorded at initial recognition at its present value of HK\$80 million with a corresponding charge of HK\$29 million to the condensed consolidated statement of comprehensive income for the six months ended 30 September 2008 as disclosed in note 8. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable is 6.40% per annum.

**14. INVENTORIES**

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Raw materials	1,037	362
Work in progress	163	110
Finished goods	1,537	795
	<b>2,737</b>	1,267

**15. TRADE AND OTHER RECEIVABLES**

Sales to certain wholesalers in the PRC are on credit term of one to two months. Other sales in the PRC are made by either payment on delivery or against bills issued by banks with maturity dates ranging from 30 to 180 days. 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 certain sales of digital set-top boxes, the credit terms are ranging from 90 days to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

Export sales of the Group are mainly settled 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 for doubtful debt, at the reporting date:

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Within 30 days	1,967	571
31 to 60 days	157	170
61 to 90 days	51	112
91 to 365 days	218	446
Over 365 days	106	104
Trade receivables	<b>2,499</b>	1,403
Deposits, prepayments and other receivables	<b>692</b>	356
	<b>3,191</b>	1,759



## 16. BILLS RECEIVABLE

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

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Within 30 days	271	285
31 to 60 days	154	296
61 to 90 days	210	556
91 days or over	1,778	1,252
Bills endorsed to suppliers with recourse	655	993
Bills discounted with recourse	1,989	1,157
	<b>5,057</b>	4,539

The carrying values of bills endorsed to suppliers and bills discounted with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group is still exposed to credit risk on these receivables as at reporting date. Accordingly, the associated liabilities, mainly borrowings and payables, are not derecognised in the condensed consolidated financial statements.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months at the reporting date.

## 17. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Within 30 days	2,266	1,016
31 to 60 days	669	423
61 to 90 days	277	265
91 days or over	120	168
Trade payables under endorsed bills	655	991
Trade payables	<b>3,987</b>	2,863
Deposits in advance, accruals and other payables	1,895	1,459
	<b>5,882</b>	4,322

**18. BILLS PAYABLE**

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

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Within 30 days	<b>421</b>	64
31 to 60 days	<b>459</b>	18
61 to 90 days	<b>51</b>	45
91 days or over	<b>141</b>	64
	<b>1,072</b>	191

**19. OBLIGATION ARISING FROM PUT OPTION WRITTEN TO NON-CONTROLLING INTERESTS**

- (a) In September 2007, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements and related supplementary agreements with senior management and staff (the "Employees") of Skyworth Digital Technology (Shenzhen) Company Limited ("SDT"), a wholly-owned subsidiary of the Company, for disposal of, in aggregate, 12% of the equity interests in SDT to the Employees at cash consideration of HK\$24 million which approximated the carrying amount of equivalent portion of the net asset value. As stipulated in the supplementary agreements entered into between RGB and the Employees, the Employees are obliged to pay back RGB at 3 times of the consideration paid for acquiring the shares of SDT if they cease their employment services to SDT within 5 years after September 2007. In addition, pursuant to the supplementary agreements in November 2007, the Employees have an option to sell back the share to RGB at net asset value of the latest audited financial statements of SDT and RGB is obliged to buy back the shares of SDT from the Employees, when they cease their employment within 5 years after September 2007 and before the initial public offering of SDT shares.

The shortfall of cash consideration below the fair value of 12% SDT shares of HK\$39 million represented fair value of future services to be rendered by the Employees was charged to profit or loss on a straight-line basis over the contractual service period of five years and was recognised as prepayment.

- (b) On 20 November 2007, RGB entered into sale and purchase agreements with each of independent third parties, Mr. Li Pu, Mr. Ye Xiao Bin and 深圳市領優投資有限公司 (the "Purchasers"). Under the agreements, RGB agreed to dispose of, in aggregate, 16% of the equity interest in SDT to the Purchasers at an aggregate consideration of approximately RMB119 million (equivalent to approximately HK\$132 million).

Based on the terms of the agreements, RGB also granted a put option to the Purchasers that if the shares of SDT are not listed on any stock exchange within 28 months after 20 November 2007, the Purchaser can require RGB to buy back their shares at the original consideration paid plus 10% guaranteed dividends per annum.



In respect of the put options granted to the Employees and the Purchasers, an aggregate total financial liability of HK\$156 million representing the aggregate present value of 12% on estimated net asset value of SDT and estimated repurchase price of 16% equity interest at 10% discount rate has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests upon initial recognition of the obligation.

Movement in the obligation arising from put option written to non-controlling interests is as follows:

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
At the beginning of the period/year	178	158
Imputed interest expenses for the period/year	8	16
Exchange realignment	–	4
At the end of the period/year	<b>186</b>	178
Analysis as:		
Current liabilities	<b>186</b>	24
Non-current liabilities	–	154
	<b>186</b>	178

## 20. SECURED BANK BORROWINGS

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Secured bank borrowings comprise the following:		
Construction loans	–	85
Financial liabilities on bills discounted with recourse	<b>1,989</b>	1,157
Financial liabilities on foreign currency forward contracts	<b>1,986</b>	125
Other bank loans	<b>17</b>	62
	<b>3,992</b>	1,429
The bank borrowings are repayable as follows:		
Within one year or on demand	<b>3,992</b>	1,429





## 21. SHARE CAPITAL

	Number of shares		Share capital	
	1.4.2009 to 30.9.2009	1.4.2008 to 31.3.2009	1.4.2009 to 30.9.2009 (unaudited) HK\$ million	1.4.2008 to 31.3.2009 (audited) HK\$ million
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and at end of the period/year	<b>10,000,000,000</b>	10,000,000,000	<b>1,000</b>	1,000
Issued and fully paid:				
At beginning of the period/year	<b>2,282,497,245</b>	2,292,790,391	<b>228</b>	229
Issue of shares under share option schemes	<b>88,592,500</b>	138,000	<b>9</b>	–
Share repurchased and cancelled	–	(11,472,000)	–	(1)
Issue of shares under scrip dividend scheme	–	1,040,854	–	–
At end of the period/year	<b>2,371,089,745</b>	2,282,497,245	<b>237</b>	228

## 22. SHARE-BASED PAYMENTS

### Share options

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	1.4.2009 to 30.9.2009		1.4.2008 to 31.3.2009	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the period/year	<b>323,832,000</b>	<b>HK\$1.242</b>	272,872,000	HK\$1.389
Granted during the period/year	–	–	52,850,000	HK\$0.470
Exercised during the period/year	<b>(88,592,500)</b>	<b>HK\$1.157</b>	(138,000)	HK\$0.336
Lapsed during the period/year	–	–	(1,752,000)	HK\$0.899
Outstanding at end of the period/year	<b>235,239,500</b>	<b>HK\$1.274</b>	323,832,000	HK\$1.242

### Sale of shares of subsidiary to employees at consideration below fair value

Details of the equity settled share-based payments in respect of sale of SDT's shares at consideration below fair value are set out in note 19(a).

The Company has applied HKFRS 2 "Share-based payment" to account for its share option and sales of shares of subsidiary to employees at consideration below fair value. An amount of share-based payment expenses of HK\$8 million (six months ended 30 September 2008: HK\$ 9 million) has been recognised in the current period.



## 23. PLEDGE OF ASSETS

At 30 September 2009, the Group's bank borrowings were secured by the following:

- (a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK\$124 million (31 March 2009: HK\$61 million) and HK\$111 million (31 March 2009: HK\$22 million) respectively;
- (b) bank deposits of HK\$2,071 million (31 March 2009: HK\$154 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK\$655 million (31 March 2009: HK\$993 million) and HK\$1,989 million (31 March 2009: HK\$1,157 million) respectively as disclosed in note 16.

## 24. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

	<b>As at 30 September 2009 (unaudited) HK\$ million</b>	As at 31 March 2009 (audited) HK\$ million
Contracted but not provided, in respect of:		
Purchase of property, plant and equipment	<b>26</b>	20
Factory buildings and logistic centers under development	<b>111</b>	105
Investment in a subsidiary in PRC	<b>2</b>	–
	<b>139</b>	125
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	<b>1</b>	25
Factory buildings and logistic centers under development	<b>114</b>	121
	<b>115</b>	146

## 25. CONTINGENT LIABILITIES

Up to the date of the report, 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. While it is in an early stage of those disputes, the directors of the Company are of the view that these patent disputes will not have a material adverse impact on the interim financial statements of the Group.



## 26. RELATED PARTY TRANSACTIONS

### *Transactions*

During the period, the Group has the following transactions with jointly controlled entities:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
Advertising and promotional expenses paid	3	10
Purchase of finished goods	10	–
Purchase of raw materials	–	13
Rental income	1	–
Sales of raw materials	6	5
Sales of finished goods	1	–
Sub-contracting charges paid	–	1

### *Compensation of Key Management Personnel*

The remuneration of directors and other members of key management during the period was as follows:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$ million</b>	HK\$ million
Short-term benefits	29	8
Share-based payments	2	3

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.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



### TO THE BOARD OF DIRECTORS OF SKYWORTH DIGITAL HOLDINGS LIMITED

創維數碼控股有限公司

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 32, which comprise the condensed consolidated statement of financial position of Skyworth Digital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### DELOITTE TOUCHE TOHMATSU

*Certified Public Accountants*

Hong Kong

2 December 2009



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors (the “Board”) of Skyworth Digital Holdings Limited (the “Company”) has resolved to pay an interim dividend for the six months ended 30 September 2009 of HK8 cents (2008: HK1 cent) per ordinary share, totaling approximately HK\$197 million (2008: HK\$23 million) to the shareholders of the Company on or around 1 February 2010 whose names appear on the register of members of the Company at the close of business on 23 December 2009. Shareholders may elect to receive interim dividend in the form of new shares of the Company or cash or partly in shares and partly in cash.

### DIRECTORS’ INTEREST IN SHARES AND SHARE OPTIONS

At 30 September 2009, the interests of the directors and of their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

(a) *Ordinary shares of HK\$0.1 each of the Company*

As at 30 September 2009, certain directors of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity		Number of issued ordinary shares held	Percentage to the issued share capital of the Company
Lin Wei Ping	Beneficial owner		4,061,611	0.17%
	Held by trust	(Note a)	847,382,922	35.74%
	Held by spouse	(Note b)	55,621,612	2.35%
		(Note c)	907,066,145	38.26%
Yang Dongwen	Beneficial owner		24,250,000	1.02%
Zhang Xuebin	Beneficial owner		18,942,600	0.80%
Ding Kai	Beneficial owner		5,762,000	0.24%
Leung Chi Ching, Frederick	Beneficial owner		3,000,000	0.13%
So Hon Cheung, Stephen	Beneficial owner		100,000	0.00%

*Note a:* These shares are held by Target Success Group Limited in its capacity as trustee of the Skysource Unit Trust, all of the units in which are owned by the Skysource Trust. Ms. Lin Wei Ping and her children are the discretionary beneficiaries of the Skysource Trust. Accordingly, Ms. Lin Wei Ping is deemed to be interested in 847,382,922 ordinary shares of the Company.

*Note b:* Ms. Lin Wei Ping is deemed to be interested in 55,621,612 ordinary shares of the Company being the interests held beneficially by her spouse, Mr. Wong Wang Sang, Stephen.

*Note c:* Mr. Wong Wang Sang, Stephen is deemed to be interested in 907,066,145 ordinary shares of the Company being the interests held and deemed to be held by his spouse, Ms. Lin Wei Ping.



(b) *Share options of the Company*

At 30 September 2009, certain directors of the Company had personal interests in the share options granted under the Company's share option schemes as follows:

<b>Name of director</b>	<b>Capacity</b>	<b>Number of shares options held/underlying shares of the Company</b>
Zhang Xuebin	Beneficial owner	20,500,000
Yang Dongwen	Beneficial owner	8,750,000
Ding Kai	Beneficial owner	6,000,000
Leung Chi Ching, Frederick	Beneficial owner	5,000,000
Lin Wei Ping	Beneficial owner	3,000,000
Li Weibin	Beneficial owner	1,000,000
So Hon Cheung, Stephen	Beneficial owner	875,000

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO at 30 September 2009, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the six months ended 30 September 2009.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

**SUBSTANTIAL SHAREHOLDERS**

At 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held – Long positions	Percentage to the issued share capital of the Company
Target Success Group Limited	Trustee (Note a)	847,382,922	35.74%
HSBC International Trustee Limited	Trustee (Note b)	847,382,922	35.74%
Wong Wang Sang, Stephen	Beneficial owner Held and deemed to be held by spouse (Note c)	55,621,612	2.35%
		851,444,533	35.91%
		907,066,145	38.26%
Citigroup Inc.	(Note d)	4,460,000	0.19%
	(Note d)	21,531,846	0.91%
		117,075,848	4.94%
		143,067,694	6.04%

Note a: Target Success Group Limited held the shares of the Company in the capital as trustee of the Skysource Unit Trust, all of the units in which are held by HSBC International Trustee Limited in its capacity as trustee of the Skysource Trust.

Note b: HSBC International Trustee Limited is deemed to be interested in 847,382,922 shares of the Company as it is the trustee of the Skysource Trust.

Note c: Mr. Wong Wang Sang, Stephen is deemed to be interested in 851,444,533 shares of the Company being the interests held by his spouse, Ms. Lin Wei Ping (847,382,922 shares held by Target Success Group Limited and 4,061,611 shares held by herself).

Note d: Citigroup Inc. held 4,460,000 shares and 21,531,846 shares of the Company in short position and through lending pool respectively.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 September 2009.





## SHARE OPTIONS

Previously, the Company adopted two share option schemes in 2000 (“2000 Share Option Scheme”) and 2002 (“2002 Share Option Scheme”) mainly for the purpose of providing incentives to directors and eligible employees. Particulars of two share option schemes are detailed in the notes to the consolidated financial statements of the Company for the year ended 31 March 2009 as set out in the Company’s annual report 2008/09.

2000 Share Option Scheme was terminated on 28 August 2002. The Company then further terminated 2002 Share Option Scheme and adopted a new share option scheme (“2008 Share Option Scheme”) in its 2008 Annual General Meeting held on 30 September 2008. No share options were granted under 2008 Share Option Scheme during the period ended 30 September 2009.

The following tables showed the movements in the Company’s share options granted to the directors and the employees and/or consultants under 2000 Share Option Scheme, 2002 Share Option Scheme and 2008 Share Option Scheme during the period ended 30 September 2009:

### Under 2000 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options			
				Outstanding at 1 April 2009	Exercised during the period (Note a)	Cancelled/ lapsed during the period	Outstanding at 30 September 2009
<b>Employees/ Consultants:</b>							
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	254,000	(29,000)	–	225,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	346,000	(36,000)	–	310,000
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	3,960,000	(3,172,000)	–	788,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	750,000	(750,000)	–	–
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	750,000	(750,000)	–	–
				6,060,000	(4,737,000)	–	1,323,000

Note a: The weighted average closing prices of the Company’s shares immediately before the date on which the share options were exercised during the six months ended 30 September 2009 was HK\$1.99.



## SHARE OPTIONS – *continued*

*Under 2002 Share Option Scheme*

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors:</b>								
<b>Zhang Xuebin</b>								
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	5,000,000	–	–	–	5,000,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	5,000,000	–	–	–	5,000,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	2,500,000	–	(2,500,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	2,500,000	–	–	–	2,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	2,500,000	–	–	–	2,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	2,500,000	–	–	–	2,500,000



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors: – continued</b>								
<b>Yang Dongwen</b>								
5 October 2002	0.840	5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	–	(2,000,000)	–	–
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	3,750,000	–	(3,750,000)	–	–
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	3,750,000	–	(3,750,000)	–	–
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	3,750,000	–	(3,750,000)	–	–
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,750,000	–	–	–	3,750,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	–	–	–	1,500,000



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors: – continued</b>								
<b>Ding Kai</b>								
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	–	–	–	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	–	–	–	250,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	–	–	–	1,500,000
<b>So Hon Cheung, Stephen</b>								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	–	–	–	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	125,000	–	(125,000)	–	–
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	125,000	–	–	–	125,000



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors: – continued</b>								
<b>Lin Wei Ping</b>								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	500,000	–	(500,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	500,000	–	(500,000)	–	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	500,000	–	–	–	500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	500,000	–	–	–	500,000
<b>Li Weibin</b>								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	–	–	–	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	125,000	–	–	–	125,000
<b>Leung Chi Ching, Frederick</b>								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	–	(1,500,000)	–	–
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	–	–	–	1,500,000
				73,000,000	–	(38,875,000)	–	34,125,000



## SHARE OPTIONS – *continued*

*Under 2002 Share Option Scheme – continued*

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2009
<b>Employees/Consultants:</b>								
5 October 2002	0.840	5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	-	(2,000,000)	-	-
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	-	(2,000,000)	-	-
28 March 2003	0.776	28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	-	-	-	72,000
9 June 2003	0.752	9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	-	(500,000)	-	-
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	-	(500,000)	-	-
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	-	(500,000)	-	-
27 June 2003	0.742	27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	-	(250,000)	-	-
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	-	(200,000)	-	50,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	-	-	-	250,000



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	Outstanding at 30 September 2009
<b>Employees/Consultants: – continued</b>								
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	23,229,000	–	(6,175,500)	–	17,053,500
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	24,365,000	–	(6,086,500)	–	18,278,500
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	24,965,000	–	(5,091,500)	–	19,873,500
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	28,565,000	–	(4,498,500)	–	24,066,500
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	6,000,000	–	–	–	6,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	100,000	–	–	–	100,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	100,000	–	–	–	100,000
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	132,500	–	–	–	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	132,500	–	–	–	132,500





## SHARE OPTIONS – *continued*

*Under 2002 Share Option Scheme – continued*

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2009
<b>Employees/Consultants: – <i>continued</i></b>								
28 July 2004	2.275	28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	5,000,000	–	(1,000,000)	–	4,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	5,000,000	–	–	–	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	5,000,000	–	–	–	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	5,000,000	–	–	–	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	30,000	–	(30,000)	–	–
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	30,000	–	(30,000)	–	–
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	30,000	–	–	–	30,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	30,000	–	–	–	30,000
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	1,250,000	–	–	–	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	1,250,000	–	–	–	1,250,000



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	Outstanding at 30 September 2009
<b>Employees/Consultants: – continued</b>								
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	125,000	–	–	–	125,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	125,000	–	–	–	125,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	4,875,000	–	(3,875,000)	–	1,000,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	4,875,000	–	(3,875,000)	–	1,000,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	4,875,000	–	–	–	4,875,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	4,875,000	–	–	–	4,875,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	8,087,500	–	(6,334,500)	–	1,753,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	8,087,500	–	–	–	8,087,500
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	8,087,500	–	–	–	8,087,500
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	8,087,500	–	–	–	8,087,500



## SHARE OPTIONS – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2009
<b>Employees/Consultants: – continued</b>								
2 April 2008	0.712	2 April 2008 to 1 April 2009	2 April 2009 to 28 August 2012	750,000	-	(750,000)	-	-
		2 April 2008 to 1 April 2010	2 April 2010 to 28 August 2012	750,000	-	-	-	750,000
		2 April 2008 to 1 April 2011	2 April 2011 to 28 August 2012	750,000	-	-	-	750,000
		2 April 2008 to 1 April 2012	2 April 2012 to 28 August 2012	750,000	-	-	-	750,000
19 August 2008	0.830	19 August 2008 to 18 August 2009	19 August 2009 to 28 August 2012	2,225,000	-	(1,284,000)	-	941,000
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	2,225,000	-	-	-	2,225,000
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	2,225,000	-	-	-	2,225,000
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	2,225,000	-	-	-	2,225,000
				203,822,000	-	(44,980,500)	-	158,841,500
				276,822,000	-	(83,855,500)	-	192,966,500

Note b: The weighted average closing prices of the Company's shares immediately before the dates in which the share options were exercised during the six months ended 30 September 2009 was HK\$2.68.



## SHARE OPTIONS – continued

Under 2008 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors:</b>								
<b>Zhang Xuebin</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	750,000	–	–	–	750,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	750,000	–	–	–	750,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	750,000	–	–	–	750,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	750,000	–	–	–	750,000
<b>Yang Dongwen</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	–	–	500,000
<b>Ding Kai</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	–	–	500,000



## SHARE OPTIONS – continued

Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2009
<b>Directors: – continued</b>								
<b>Lin Wei Ping</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	–	–	500,000
<b>Leung Chi Ching, Frederick</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	500,000	–	–	–	500,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	–	–	–	500,000
				11,000,000	–	–	–	11,000,000



## SHARE OPTIONS – *continued*

*Under 2008 Share Option Scheme – continued*

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2009
				Outstanding at 1 April 2009	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	
<b>Employees/Consultants:</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	7,387,500	–	–	–	7,387,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	7,387,500	–	–	–	7,387,500
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	7,387,500	–	–	–	7,387,500
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	7,387,500	–	–	–	7,387,500
26 November 2008	0.415	26 November 2008 to 25 November 2009	26 November 2009 to 30 September 2018	100,000	–	–	–	100,000
		26 November 2008 to 25 November 2010	26 November 2010 to 30 September 2018	100,000	–	–	–	100,000
		26 November 2008 to 25 November 2011	26 November 2011 to 30 September 2018	100,000	–	–	–	100,000
		26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	100,000	–	–	–	100,000
				29,950,000	–	–	–	29,950,000
				40,950,000	–	–	–	40,950,000



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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transaction by directors adopted by the Company throughout the six months ended 30 September 2009.

## **CORPORATE GOVERNANCE STANDARDS**

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to the best practice on corporate governance, and to comply to the extent practicable, with the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Code").

During the period and up to the date of this report, the Company actively responded to the deviations with the Code that were existed within the Group during the year ended 31 March 2009 as described in the "Corporate Governance Report" of the Company's annual report 2008/09.

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's annual report 2008/09.

## **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 four Board Committees, namely 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 summary of which were disclosed in the "Corporate Governance Report" of the Company's annual report 2008/09. The full terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through [www.skyworth.com/investor](http://www.skyworth.com/investor).

### *Executive Committee*

An Executive Committee was established by the Board on 5 February 2005. The Executive Committee currently comprises fifteen members, including executive directors and senior management of the Company. During the period and up to the date of this report, the Executive Committee had held monthly meetings to review and evaluate the budget and the monthly and quarterly business performance of each major subsidiary within the Group, and discussed other business and operational matters.





#### *Nomination Committee and Remuneration Committee*

The Nomination Committee and Remuneration Committee were both set up under the auspices of the Board on 5 February 2005. Each of the Nomination Committee and Remuneration Committee currently comprises five members, including Mr. So Hon Cheung, Stephen as Chairman and Mr. Li Weibin, Mr. Xie Zhengcai, Mr. Leung Chi Ching, Frederick and Mr. Tsui Tsin Tong as members. Except that Mr. Leung Chi Ching, Frederick is an executive director of the Company, the other four members are all independent non-executive directors of the Company.

During the period and up to the date of this report, the Nomination Committee held three meetings to review the composition of the Board and to review the terms of the service contracts of the directors of the Company. The Remuneration Committee also held two meetings to review the compensation and incentive package for the senior management of the Group, to review the amount of bonus payable to senior management by the Group for performance incentive for the year ended 31 March 2009, and to discuss the work plan for the Remuneration Committee in this financial year.

#### *Audit Committee*

The Audit Committee was established by the Board since the initial listing of the Company's shares on the Stock Exchange on 6 April 2000. The Audit Committee comprises four members, Mr. So Hon Cheung, Stephen (Chairman), Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Tsui Tsin Tong, all of whom are independent non-executive directors of the Company.

During the period and up to the date of this report, the Audit Committee held four meetings and performed the following duties:

- (a) reviewed and commented on the Company's draft annual and interim financial reports;
- (b) commented on the Company's corporate governance practices and the Group's systems of internal control;
- (c) review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff of accounting and financial reporting function of the Group;
- (d) discussed on the Group's internal audit plan with the Risk Management Department; and
- (e) met with the external auditors.

## **RISK MANAGEMENT**

The Board acknowledges that risk management is one of the key controls to monitor the effectiveness of financial reporting and internal control systems within the Group. To enhance better corporate governance in these aspects, independent unit from the Board, namely Risk Management Department, was established.

#### *Risk Management Department*

The Risk Management Department was established at the end of 2005 with its major duty 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 administration in the achievement of the organizational goals and objectives by striving to provide a positive impact on:

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



The Head of Risk Management Department has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. During the period and up to the date of this report, the Head of Risk Management attended one meeting with the Board and two meetings with the Audit Committee to report the progress and findings of the works performed so far and to discuss the internal audit plan of the Group.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 24 December 2009 to Thursday, 31 December 2009, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 1 February 2010, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 23 December 2009.

## **BOARD OF DIRECTORS**

As at the date of this report, the Board of the Company comprises Mr. Zhang Xuebin as executive chairman of the Board and chief executive officer, Ms. Ding Kai, Mr. Leung Chi Ching, Frederick, Ms. Lin Wei Ping and Mr. Yang Dongwen as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Tsui Tsin Tong as independent non-executive directors.

On behalf of the Board

### **Zhang Xuebin**

*Executive Chairman and  
Chief Executive Officer*

2 December 2009