

Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751



Interim Report
2011/12

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FINANCIAL HIGHLIGHTS

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

| | Six months ended | | Change |
|---|---------------------|---------------------|--------|
| | 2011 (unaudited) | 2010 (unaudited) | |
| OPERATING RESULTS | | | |
| Turnover | 13,074 | 11,148 | 17.3% |
| Operating Profit (EBIT) | 702 | 556 | 26.3% |
| Profit attributable to equity holders of the Company | 461 | 354 | 30.2% |
| FINANCIAL POSITION | | | |
| Net cash from operating activities | 346 | 2,246 | -84.6% |
| Cash position* | 3,021 | 2,933 | 3.0% |
| Bank loans | 4,552 | 3,176 | 43.3% |
| Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements | 4,462 | 1,525 | 192.6% |
| Equity attributable to equity holders of the Company | 7,508 | 6,170 | 21.7% |
| Working capital | 6,092 | 5,228 | 16.5% |
| Bills receivable | 6,733 | 8,337 | -19.2% |
| Bills discounted with recourse | – | 1,007 | -100% |
| Trade receivables | 3,451 | 2,719 | 26.9% |
| Inventories | 4,541 | 2,903 | 56.4% |
| KEY RATIOS | | | |
| Gross profit margin (%) | 21.2% | 17.7% | 3.5pp |
| Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%) | 6.2% | 6.2% | – |
| Profit margin (%) | 3.5% | 3.2% | 0.3pp |
| Return on equity holders of the Company (ROE) (%) | 12.3% | 11.5% | 0.8pp |
| Debt to equity (%)** | 60.7% | 51.5% | 9.2pp |
| Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%) | 59.4% | 24.7% | 34.7pp |
| Net debt to equity*** | Net Cash | Net Cash | n/a |
| Current ratio (times) | 1.5 | 1.4 | 7.1% |
| Trade receivable turnover period (days)**** | 131 | 161 | -18.6% |
| Trade receivable turnover period excluding portion arising from discounted bills receivable (days)**** | 106 | 123 | -13.8% |
| Inventories turnover period (days)**** | 70 | 62 | 12.9% |
| DATA PER SHARE (HK CENTS) | | | |
| Earnings per share – Basic | 17.70 | 13.96 | 26.8% |
| Earnings per share – Diluted | 17.18 | 13.40 | 28.2% |
| Dividend per share | 5.5 | 5.0 | 10.0% |
| Book value per share | 287 | 240 | 19.6% |
| SHARE INFORMATION AT FINANCIAL PERIOD END | | | |
| Number of shares in issue (million) | 2,613 | 2,569 | 1.7% |
| Market capitalisation | 7,186 | 13,898 | -48.3% |

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

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

*** Calculated based on (cash position + bills on hand – bank loans)/equity attributable to equity holders 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. Yang Dongwen

Ms. Lin Wei Ping

Mr. Lu Rongchang

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

Mr. Shi Chi (appointed on 15 July 2011)

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen

Mr. Li Weibin

Ms. Chan Wai Kay, Katherine

MEMEBERS OF COMMITTEES

Executive Committee

Mr. Zhang Xuebin (*Chairman*)

Ms. Ding Kai

Mr. Yang Dongwen

Ms. Lin Wei Ping

Mr. Lu Rongchang

Mr. Leung Chi Ching, Frederick

Mr. Shi Chi (appointed on 15 July 2011)

Ms. Dong Ning

Mr. Guo Limin

Mr. Hu Zhaohui

Mr. Li Xiaofang

Mr. Liu Tangzhi

Ms. Shao Meifang

Mr. Sun Weizhong

Mr. Wang Dehui

Ms. Zhou Tong

Audit Committee

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

Mr. Li Weibin

Ms. Chan Wai Kay, Katherine

Remuneration Committee

Mr. Li Weibin (*Chairman*)

Mr. So Hon Cheung, Stephen

Ms. Chan Wai Kay, Katherine

Mr. Leung Chi Ching, Frederick (resigned on 15 July 2011)

Ms. Lin Wei Ping (appointed on 15 July 2011)

Nomination Committee

Ms. Chan Wai Kay, Katherine (*Chairlady*)

Mr. So Hon Cheung, Stephen

Mr. Li Weibin

Mr. Leung Chi Ching, Frederick

COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Reed Smith Richards Butler

PRINCIPAL BANKERS

Bank of China

China Construction Bank

China Merchant Bank

CITIC Bank International

Industrial and Commercial Bank

Standard Chartered Bank

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

HSBC Bank 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

The Stock Exchange of Hong Kong Limited

Stock Code: 00751

IMPORTANT INFORMATION FOR 2011/2012

Results Announcement Date

Interim results – 24 November 2011

Dividend Per Share

Interim dividend – HK5.5 cents

Dividend Payment Date

Interim dividend – 1 February 2012

Closing Period of the Register of Members

Interim – From 19 December 2011 to 23 December 2011
both dates inclusive

COMPANY WEBSITE

<http://www.skyworth.com>



OPERATIONAL AND FINANCIAL REVIEW

RESULT HIGHLIGHTS

Skyworth Digital Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) recorded the following results for the six months ended 30 September 2011 (the “Period”):

- Turnover increased by 17.3% from that of the same period last year, reached HK\$13,074 million (89.1% from mainland China market).
- Sales of television products and digital set-top boxes accounted for 84.1% and 11.7% of the Group’s total turnover, respectively.
- Gross profit achieved HK\$2,771 million, increased by 40.6%; the gross profit margin was 21.2%, increased by 3.5 percentage points compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Period were HK\$485 million and HK\$461 million, respectively, increased by 17.4% and 30.2%, respectively, on a year-on-year basis.
- Excluding impairment loss recognised in respect of available-for-sale investments amounted to HK\$79 million, unaudited profit before and after non-controlling interests for the Period became HK\$564 million and HK\$540 million, respectively, increased by 36.6% and 52.5%, respectively, on a year-on-year basis.
- The Board has proposed an interim dividend of HK5.5 cents per share with an option to elect scrip dividend in lieu of cash.

BUSINESS PERFORMANCE REVIEW

Satisfactory growth in turnover

The Group’s turnover for the Period reached HK\$13,074 million, representing an increase of 17.3% over the same period last year.

The Group responded to the market changes by optimising its product mix in time and strengthening the sales channels in rural areas with successful marketing strategy and a series of promotional activities. From the stimulation of televisions (“TVs”) with three dimensional (“3D”) features and light emitting diode backlight (“LED LCD”), the Group’s turnover recorded a remarkable growth in the mainland China market. Notwithstanding that increasing uncertainties in economy of developed countries intensified the decline of the overseas demands for flat-panel TVs, the Group continued to expand its sales for TVs with cold cathode fluorescent lamp backlight (“CCFL LCD”) and LED LCD TV vigorously in overseas markets. The sales volume of LED LCD TVs roared by 1,216.1% over the same period last year in overseas market.

Turnover analysis by geographical and product segments

Mainland China market

During the Period, the mainland China market accounted for 89.1% of the Group’s total turnover, recorded a 15.2% growth from HK\$10,117 million for the same period last year to HK\$11,654 million.

The Group’s TV business in mainland China accounted for 88.0% of the total domestic turnover. The sales of digital set-top boxes and LCD modules accounted for 8.0% and 1.6%, respectively. Other business units include those engaged in manufacturing of washing machines, refrigerators, moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 2.4%.



TV products

During the Period, the TV products sales in mainland China market grew by 18.4% and reached HK\$10,250 million. Retrieving from the TV market survey performed by All View Consulting Co., Ltd. (“AVC”), Skyworth LCD TVs (including CCFL and LED LCD TVs) ranked first in terms of cumulative sales volume, representing 16.4% of total market share, and ranked first and second in all TV in terms of cumulative sales volume and amount, accounting for 14.9% and 13.3% of total market share, respectively, for twelve consecutive months ended 30 September 2011. AVC is a subsidiary of the China Video Industry Association which performs quantitative TV researches with data covering 390 major cities and 4,300 retail terminals in the mainland China.

The TV industry faced a new round of product upgrade in year 2011. During the Period, over 3.23 million Flat Panel TVs under **Skyworth** brand were sold in mainland China, of which 1.55 million were LED LCD TVs, rose by 182.4% and represented 47.7% of the Group’s total TV sales in mainland China. Included in the LED LCD TVs volume was 0.35 million 3D LED LCD TVs, representing 10.8% of the Group’s total TV sales in mainland China market.

At the same time, the Group put extra efforts to improve its innovation and research and development (“R&D”) abilities in complied with our high-end TV products strategy, and endeavoured to cater for our consumer expectation. On 18 August 2011, the Group launched the Cloud TVs, which initiated a competing entry over other domestic and foreign brands. During the National Day Holidays in China, the Group launched 5 series with 13 Cloud TV models featured by multi-functional platforms, that allured market attention and consumers’ good graces.

During the Period, other key awards contributed to our brand and sales improvement of TV products including:

- In the “2011 Seventh Summit Forum of China Digital TV Industry”, the Group was granted “2011 Outstanding Contribution Award for Smart TV Industry”, and CooCaa Smart 3D TV E96RS series also won the “2011 Top Ten Flat-Panel TV Products”.
- In the “2011 Sixth China Digital TV Annual Festival”, Skyworth CooCaa Cloud TV won the “2011 Technology Innovation Award”, and Cloud TV 65E99RS won the “2011 Product Innovation Award”.
- In the “2011 China Most Successful Design Competition” event, Skyworth Cloud TV 46E98 won the “Most Successful Design Award of 2011” with its transcendent creative design.
- In the “Fourth China’s Trademark Festival”, the Group was honored as “2011 Consumers Most Favorite Green Trademark”.
- In the “Most Influential National Brand of Guangdong Home Appliance Industry” activities, which held by the Guangdong Home Appliances Chamber of Commerce, the Group was awarded “The Most Influential National Brand of Guangdong Home Appliance Industry”.

Digital set-top boxes

The digital set-top boxes turnover in mainland China market recorded HK\$933 million, representing a decrease of 23.8% or HK\$291 million, compared with HK\$1,224 million recorded in the same period of previous year.

During the Period, price competition among the competitors resulted a decline in turnover of digital set-top boxes. According to the market research, the sales volume of Skyworth digital set-top boxes ranked first in digital set-top boxes industry in mainland China market. In addition, the expanding satellite broadcast market has a positive impact to the sale volumes of digital set-top boxes in the second half year.



LCD Modules

LCD modules turnover in mainland China grew substantially to HK\$184 million, representing an increase of HK\$148 million or 411.1%.

Product reliability and quality won the praises of consumers for our LCD modules business. During the Period, sales rose rapidly due to additional strategic customers, especially the small-size LCD modules with sale volumes exceeded 50% over the same period last year. To meet customers' stringent requirements and confront with growing competition, the LCD modules business maintained its profitability by upgrading its product offerings, continuing to improve production process, exploring different markets and expanding the customer base.

Overseas markets

The turnover generated from overseas markets accounted for HK\$1,420 million, or 10.9% of the Group's total turnover for the Period. Compared with HK\$1,031 million turnover recorded in the same period of previous year, representing an increase of 37.7%.

TV products

The turnover of overseas TV products for the Period was HK\$742 million, or 52.3% of the total overseas turnover, grew by 45.2%. Sales volume increased by 56.0% to 1.13 million sets, of which cathode ray tube ("CRT") TVs increased to 0.75 million sets, equivalent to 33.1% and flat panel TV sharply increased by 135.1% to 0.38 million sets.

During the Period, the Group marched towards the overseas markets with **Skyworth** brand name TVs by incorporating sales offices in India, Philippines, Indonesia, Thailand and Australia. Geographical expansion helped to grasp the opportunities in rapid development of sales network. The interim turnover was encouraging in overseas markets.

Digital set-top boxes

Overseas digital set-top boxes turnover for the Period increased by 16.7% to HK\$602 million from the same period last year.

Although the Eurozone debt crisis had been worsening persistently, digital set-top boxes turnover in Europe and Asia recorded an increase of 16.4% and 145.7%, respectively. Our brand image and market shares benefited from the flexibility product mix and tighten customer relationship as well as successful marketing strategies adoption. In addition, the digital set-top boxes business will continue to seize the opportunity of large-scale digital conversion in Southeast Asia and South America to consolidate our overseas position. Apart from that, the digital set-top boxes business unit will play a positive role to exploit overseas markets in Eastern Europe, Russia and Africa.

Geographical distribution in overseas markets

During the Period, Asia, America and Europe were the Group's major overseas markets, with aggregation to 82% in overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

| | Six months ended 30 September | |
|--|----------------------------------|-------------|
| | 2011 (%) | 2010 (%) |
| Asia (including Japan, Korea, Vietnam, etc.) | 34 | 21 |
| America | 25 | 36 |
| Europe | 23 | 27 |
| Africa | 9 | 7 |
| Middle East | 6 | 5 |
| Australia and New Zealand | 3 | 4 |
| | 100 | 100 |



Gross profit margin

For the Period, the overall gross profit margin of the Group grew 3.5 percentage points to 21.2% in comparison to the same period last year.

The management of the Group believed that good product design will contribute to cost reduction. During the Period, the Group had devoted more resources in R&D and accelerated the pace of new product launching to enhance our competitiveness. Increase in overall gross profit margin was driven by rapid growing sales volume of LED LCD TVs and 3D TVs, as well as the composition of high-end, high value-added and high margin products mix.

Selling and distribution expenses

The Group's selling and distribution ("S&D") expenses mainly consisted of expenses for brand promotion and marketing, sales and marketing related salaries, maintenance and transportation. During the Period, S&D expenses rose 37.3% or HK\$493 million from the same period last year to HK\$1,813 million. The ratio of S&D expense to turnover increased 2.1 percentage points from 11.8% to 13.9%.

During the Period, in line with a series of new products, the Group launched various promotional projects. The Group also organised technical presentations, spokesman, media advertisement and other activities to reinforce our brand influence that increased the advertising expenses by 31.3% for the Period. To remain competitive with foreign brands, the Group channeled new sales drivers and enriched salesman capability, thus correspondent selling costs including exhibition and flagship store expenditures, promotional manpower expenses, and sales performance bonus, had a big leap. Albeit an increase to S&D expenses, the Group endeavoured to improve product reliability continuously, constraining warranty and maintenance costs to enhance brand and Group's reputation that maximised stakeholder interests in the long run.

General and administrative expenses

The Group's general and administrative ("G&A") expenses for the Period rose by HK\$106 million or 30.5% to HK\$454 million. The G&A expenses to turnover ratio for the Period increased by 0.4 percentage points to 3.5%.

To maintain Skyworth with the ability to offer the quality products with features in latest technology, the Group had devoted more resources in R&D during the Period, that triggered an increase of HK\$32 million or 50.8% in R&D expenses. In addition, the staff salary and welfare increased by HK\$60 million, or 63.8% due to the increase in number of employees and the salary and also the performance related bonus. Other expenses did not change significantly, compared with that of the same period last year.

Inventory control

The net carrying value of the Group's inventories reached HK\$4,541 million as at the Period ended, representing an increase of HK\$1,884 million or 70.9% as at 31 March 2011 and an increase of HK\$1,638 million or 56.4% as at 30 September 2010. The increment was mainly due to an expanded production scales and changes in raw material components structure.

Having 3D LED LCD TVs as our focal point in short run, the higher cost of its raw materials pushed up the carrying value of the overall inventory. In addition, surging TV sales and demands with quicker new product cycle caused a realignment to raw material reserves for scale-up production, mitigating risks of future costs and output disruption. Furthermore, to meet the demand in National Day Holidays and to match up the launching of the new Cloud TV series also led to higher inventory level.

As at the Period ended, the inventory turnover days for raw materials and finished goods were 20 days and 40 days respectively; while as at 31 March 2011, the turnover days were 22 days and 32 days respectively.



Trade receivables and bills receivable

At 30 September 2011, the Group had a total of HK\$10,184 million trade receivables and bills receivable, increased by HK\$882 million, or 9.5% compared to that as at 31 March 2011. Trade receivables increased by HK\$1,400 million or 68.3% to HK\$3,451 million, whilst bills receivable dropped by HK\$518 million or 7.1% to HK\$6,733 million. Such increase is coherent with the seasonal peak in September greeting for the October National Day in mainland China.

Comparing to the same period ended last year, trade receivables and bills receivable decreased by a total of HK\$872 million or 7.9%. Trade receivables increased by HK\$732 million, whilst bills receivable dropped by HK\$1,604 million. The tightening of credit limit among domestic banks caused a decline in bills receivable and imposed pressure on trade receivables. However, with flexible and reliable characteristics of bills receivable, the Group continues to take this advantage to increase the proportion of bills receivable, not only accelerates the recovery of cash, but also minimises the risk of bad and doubtful debts.

Trade payables and bills payable

As at 30 September 2011, the Group's trade payables and bills payable amounted to HK\$4,351 million and HK\$791 million, respectively. As compared with that as at 31 March 2011, the trade payables increased by HK\$1,736 million or 66.4%; whilst the bills payable decreased by HK\$126 million or 13.7%. At the Period ended, trade payable increased primarily from procurements by TV and digital set-top box divisions for meeting demands in peak season.

As compared with the amounts as at 30 September 2010, the trade payables and bills payable dropped by HK\$1,934 million and HK\$31 million, respectively. This demonstrated the effectiveness in trade payable settlements. The Group has undergone a series of settlement procedures and system optimisation, enhanced monitoring and controls by refining information system accuracy and payment timeliness to uplift the Group's overall creditability.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group maintained a strong financial position. The Group's net current assets as at the Period ended increased by HK\$80 million or 1.3% from that as at 31 March 2011. Bank balances and cash amounted to HK\$2,354 million, representing a decrease of HK\$170 million, compared with that at 31 March 2011, an increase of HK\$204 million from the same period last year; whilst the pledged bank deposits and structured bank deposit amounted to HK\$667 million and HK\$37 million at 30 September 2011, respectively, representing an increase of HK\$109 million and HK\$1 million, respectively, compared with that at 31 March 2011. The increase in pledged bank deposits at the Period end was mainly due to addition cash injected for new currency forward contracts with financial institutions as disclosed in note 18 of the interim financial report.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$667 million bank deposits and HK\$37 million structured bank deposit, 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\$22 million (at 31 March 2011: HK\$179 million) as at the Period end.

The Group adopted principle of prudence and committed to maintain a healthy financial position. At the end of the Period, total bank loans amounted to HK\$4,552 million which included foreign currency forward contracts for HK\$90 million. Equity attributable to owners of the Company amounted to HK\$7,508 million (at 31 March 2011: HK\$7,074 million); debt to equity ratio was 59.4% (at 31 March 2011: 51.1%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the interim financial report.

As at the Period ended, the Group changed its funding strategies to utilise more low interest United States ("US") dollars bank loans than high cost bill discounting to finance its working capital.



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 ("RMB"); others included Hong Kong dollars and US dollars. The Group may require carrying out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group utilised currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Period, the Group had recognised HK\$76 million net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to mild RMB fluctuations.

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements, and the optimistic view of anticipating RMB appreciation in the long run. During the Period, the Group engaged into several arrangements with certain banks, such as foreign currency forward contracts, target redemption forward contracts, performance swap contract and cross-currency interest rate swaps contract of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollars. For details of the arrangements, please refer to note 18 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Period, an addition of HK\$158 million in construction projects were under way, including certain new production line projects, the ongoing construction of logistic centers, and the new construction phases for Guangzhou, Shenzhen and Nanjing production plants. These projects are positive influential to the productivity and bottleneck breakthroughs, providing tactics to complete orders on time. The Group had spent approximately HK\$204 million on machinery in production line setups and other equipment; and has planned to commit HK\$224 million on plant, logistic centers and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Period. The details of certain patent disputes are disclosed in note 27 to the condensed consolidated financial statements in the interim financial report.

HUMAN RESOURCES CAPITAL

At 30 September 2011, the Group had over 26,000 employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 42 branches and 199 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set. Such details, along with information on the duties and services performed by the Remuneration Committee and Nomination Committee are disclosed in the "Corporate Governance Report" of the Company's annual report 2010/11.



OUTLOOK

Realising that the uncertainties in the world economy would not be cleared within a short period of time, the Group will focus its business in mainland China whilst prudently implement its emerging market initiatives to explore opportunities.

For our TV business unit, the development in the third and fourth tiers market as well as rural areas market in mainland China would increase demand for high-end TV products, and our expansion into overseas TV market would bring benefits to the Group. The Group will broaden the sales channels and networks in order to sustain these markets exploration. The Group is confident to maintain its TV sales volume of 9 million units for the financial year ending 31 March 2012.

Our set-top box business will remain as the second biggest contributors of revenue and profits to the Group in the foreseeable future. It will focus both overseas and mainland China market and capitalise its technology pool accumulated from its past success.

The Group will maintain its strategy of incubating existing smaller business units. It is encouraging to note that certain of these business units are heading toward the right direction and have achieved reasonable results.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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

| | Notes | Six months ended 30 September 2011 (unaudited) | 2010 (unaudited) |
|---|-------|---|---------------------|
| Turnover | 3 | 13,074 | 11,148 |
| Cost of sales | | (10,303) | (9,177) |
| Gross profit | | 2,771 | 1,971 |
| Other income | | 199 | 173 |
| Other gains and losses | 5 | (15) | 65 |
| Selling and distribution expenses | | (1,813) | (1,320) |
| General and administrative expenses | | (454) | (348) |
| Finance costs | 6 | (75) | (59) |
| Share of results of jointly controlled entities | | 14 | 15 |
| Profit before taxation | | 627 | 497 |
| Income taxes | 7 | (142) | (84) |
| Profit for the period | 8 | 485 | 413 |
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation | | 189 | 127 |
| Fair value gain on cash flow hedges | | 1 | – |
| Fair value loss on available-for-sale financial assets | | (90) | (1) |
| Reclassification adjustment upon impairment of available-for-sale financial assets | | 79 | – |
| Deferred tax arising on exchange differences on the Group's net investments in foreign operations | | (8) | (7) |
| Other comprehensive income for the period | | 171 | 119 |
| Total comprehensive income for the period | | 656 | 532 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 461 | 354 |
| Non-controlling interests | | 24 | 59 |
| | | 485 | 413 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 626 | 468 |
| Non-controlling interests | | 30 | 64 |
| | | 656 | 532 |
| Earnings per share (expressed in HK cents) | | | |
| Basic | 9 | 17.70 | 13.96 |
| Diluted | 9 | 17.18 | 13.40 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

Amounts expressed in HK\$ million

| | Notes | As at 30 September 2011 (unaudited) | As at 31 March 2011 (audited) |
|---|-------|--|--|
| Non-current Assets | | | |
| Property, plant and equipment | 11 | 1,986 | 1,709 |
| Investment properties | | 76 | 77 |
| Prepaid lease payments on land use rights | | 384 | 294 |
| Interests in jointly controlled entities | 12 | 214 | 195 |
| Interests in an associate | | 7 | – |
| Other receivable | 13 | 99 | 96 |
| Available-for-sale investments | 14 | 226 | 197 |
| Prepayment | | – | 4 |
| Deferred tax assets | | 65 | 60 |
| | | 3,057 | 2,632 |
| Current Assets | | | |
| Inventories | 15 | 4,541 | 2,657 |
| Stock of properties | | 16 | 4 |
| Prepaid lease payments on land use rights | | 9 | 7 |
| Trade and other receivables, deposits and prepayments | 16 | 4,408 | 2,954 |
| Bills receivable | 17 | 6,733 | 7,251 |
| Derivative financial instruments | 18 | 16 | 6 |
| Amounts due from jointly controlled entities | | 63 | 32 |
| Held for trading investments | | 9 | 14 |
| Structured bank deposit | | 37 | 36 |
| Pledged bank deposits | | 667 | 558 |
| Bank balances and cash | | 2,354 | 2,524 |
| | | 18,853 | 16,043 |
| Current Liabilities | | | |
| Trade and other payables | 19 | 7,500 | 5,162 |
| Bills payable | 20 | 791 | 917 |
| Dividend payable | 10 | 235 | – |
| Obligations arising from put options written to non-controlling interests | 21 | 144 | 125 |
| Derivative financial instruments | 18 | 32 | 19 |
| Provision for warranty | | 70 | 49 |
| Amounts due to jointly controlled entities | | 36 | 5 |
| Tax liabilities | | 131 | 154 |
| Bank borrowings | 22 | 3,773 | 3,577 |
| Deferred income | | 49 | 23 |
| | | 12,761 | 10,031 |
| Net Current Assets | | 6,092 | 6,012 |
| Total Assets less Current Liabilities | | 9,149 | 8,644 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

AT 30 SEPTEMBER 2011

Amounts expressed in HK\$ million

| | Notes | As at 30 September 2011 (unaudited) | As at 31 March 2011 (audited) |
|---|-------|--|--|
| Non-current Liabilities | | | |
| Obligations arising from put options written to non-controlling interests | 21 | 189 | 183 |
| Provision for warranty | | 52 | 44 |
| Bank borrowings | 22 | 779 | 778 |
| Deferred income | | 286 | 263 |
| Deferred tax liabilities | | 151 | 127 |
| | | 1,457 | 1,395 |
| NET ASSETS | | | |
| | | 7,692 | 7,249 |
| Capital and Reserves | | | |
| Share capital | 23 | 261 | 259 |
| Share premium | | 1,884 | 1,863 |
| Share option reserve | | 117 | 97 |
| Investment revaluation reserve | | – | 11 |
| Surplus account | | 38 | 38 |
| Capital reserve | | 319 | 319 |
| Exchange reserve | | 914 | 739 |
| Hedging reserve | | (18) | (19) |
| Accumulated profits | | 3,993 | 3,767 |
| | | 7,508 | 7,074 |
| Equity attributable to owners of the Company | | 184 | 175 |
| Non-controlling interests | | | |
| | | 7,692 | 7,249 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

Amounts expressed in HK\$ million

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total |
|--|---------------------------------------|---------------|----------------------|--------------------------------|-----------------|-----------------|------------------|-----------------|---------------------|-------|---------------------------|-------|
| | Share capital | Share premium | Share option reserve | Investment revaluation reserve | Surplus account | Capital reserve | Exchange reserve | Hedging reserve | Accumulated profits | Total | | |
| Balance at 1 April 2010 (audited) | 253 | 1,665 | 91 | 4 | 38 | 277 | 511 | - | 2,934 | 5,773 | 81 | 5,854 |
| Profit for the period | - | - | - | - | - | - | - | - | 354 | 354 | 59 | 413 |
| Exchange differences arising on translation | - | - | - | - | - | - | 122 | - | - | 122 | 5 | 127 |
| Fair value loss on available-for-sale financial assets | - | - | - | (1) | - | - | - | - | - | (1) | - | (1) |
| Deferred tax arising on exchange differences on the Group's net investments in foreign operations | - | - | - | - | - | - | (7) | - | - | (7) | - | (7) |
| Total comprehensive (expense) income for the period | - | - | - | (1) | - | - | 115 | - | 354 | 468 | 64 | 532 |
| Recognition of equity-settled share-based payments | - | - | 3 | - | - | - | - | - | - | 3 | - | 3 |
| Issue of shares under share option schemes | 1 | 12 | - | - | - | - | - | - | - | 13 | - | 13 |
| Issue of shares under scrip dividend scheme | 3 | 113 | - | - | - | - | - | - | - | 116 | - | 116 |
| Dividend recognised as distribution (note 10) | - | - | - | - | - | - | - | - | (203) | (203) | - | (203) |
| Adjustment arising from obligations from put options written to non-controlling interests (note 21) | - | - | - | - | - | - | - | - | - | - | (21) | (21) |
| Contributions from non-controlling interests | - | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Non-controlling interests arising on disposal of partial interest in a subsidiary that does not result in losing control of the subsidiary | - | - | - | - | - | - | - | - | - | - | 8 | 8 |
| Balance at 30 September 2010 (unaudited) | 257 | 1,790 | 94 | 3 | 38 | 277 | 626 | - | 3,085 | 6,170 | 133 | 6,303 |
| Balance at 1 April 2011 (audited) | 259 | 1,863 | 97 | 11 | 38 | 319 | 739 | (19) | 3,767 | 7,074 | 175 | 7,249 |
| Profit for the period | - | - | - | - | - | - | - | - | 461 | 461 | 24 | 485 |
| Exchange differences arising on translation | - | - | - | - | - | - | 183 | - | - | 183 | 6 | 189 |
| Fair value gain on cash flow hedges | - | - | - | - | - | - | - | 1 | - | 1 | - | 1 |
| Fair value loss on available-for-sale financial assets | - | - | - | (90) | - | - | - | - | - | (90) | - | (90) |
| Reclassification adjustment upon impairment of available-for-sale financial assets | - | - | - | 79 | - | - | - | - | - | 79 | - | 79 |
| Deferred tax arising on exchange differences on the Group's net investments in foreign operations | - | - | - | - | - | - | (8) | - | - | (8) | - | (8) |
| Total comprehensive (expense) income for the period | - | - | - | (11) | - | - | 175 | 1 | 461 | 626 | 30 | 656 |
| Recognition of equity-settled share-based payments | - | - | 25 | - | - | - | - | - | - | 25 | - | 25 |
| Issue of shares under share option schemes | 2 | 21 | (5) | - | - | - | - | - | - | 18 | - | 18 |
| Dividend recognised as distribution (note 10) | - | - | - | - | - | - | - | - | (235) | (235) | - | (235) |
| Adjustment arising from obligations from put options written to non-controlling interests (note 21) | - | - | - | - | - | - | - | - | - | - | (16) | (16) |
| Contributions from non-controlling interests | - | - | - | - | - | - | - | - | - | - | 6 | 6 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (11) | (11) |
| Balance at 30 September 2011 (unaudited) | 261 | 1,884 | 117 | - | 38 | 319 | 914 | (18) | 3,993 | 7,508 | 184 | 7,692 |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

Amounts expressed in HK\$ million

| | Six months ended | |
|---|------------------|-------------|
| | 2011 | 2010 |
| | (unaudited) | (unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 346 | 2,246 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | | |
| Dividend received | 15 | 14 |
| Interest received | 29 | 45 |
| Additions of property, plant and equipment | (362) | (179) |
| Proceeds on disposal of property, plant and equipment | 19 | 6 |
| Prepaid lease payments on land use right | (87) | (52) |
| Investment in a jointly controlled entity | – | (8) |
| Investment in an associate | (7) | – |
| Investment in available-for-sales investments | (119) | (3) |
| (Increase) decrease in pledged bank deposits | (109) | 1,611 |
| Cash received on settlement of target redemption forward contracts | 2 | 6 |
| | (619) | 1,440 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | | |
| Dividends paid to non-controlling interests | (11) | (87) |
| Interest paid | (74) | (61) |
| Issue of shares | 18 | 13 |
| Contributions from non-controlling interests | 6 | 1 |
| New bank borrowings raised | 6,890 | 1,866 |
| Repayment of bank borrowings | (6,065) | (2,365) |
| Net repayment of discounted bills with recourse | (704) | (3,130) |
| Proceeds on disposal of partial interest in a subsidiary without losing control | – | 8 |
| | 60 | (3,755) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (213) | (69) |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | 2,524 | 2,191 |
| Effect of foreign exchange rate changes | 43 | 28 |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, represented by bank balances and cash | 2,354 | 2,150 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue 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 2011.

The Group’s operations are seasonal, the turnover from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the turnover from 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 2011.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011 except for those described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standard, amendments and interpretation issued by the HKICPA.

| | |
|---------------------------------|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 |
| HKAS 24 (as revised in 2009) | Related Party Disclosures |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the new and revised standard, amendments and interpretation in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



2. PRINCIPAL ACCOUNTING POLICIES – continued

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective.

| | |
|------------------------------|--|
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensives Income ¹ |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets ² |
| HKAS 19 (as revised in 2011) | Employee Benefits ³ |
| HKAS 27 (as revised in 2011) | Separate Financial Statements ³ |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures ³ |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets ⁴ |
| HKFRS 9 | Financial Instruments ³ |
| HKFRS 10 | Consolidated Financial Statements ³ |
| HKFRS 11 | Joint Arrangements ³ |
| HKFRS 12 | Disclosure of Interests in Other Entities ³ |
| HKFRS 13 | Fair value measurement ³ |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine ³ |

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of HKFRS 9 regarding the classification and measurement of the Group's financial assets may have significant impact.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The five new and revised standards on consolidation, joint arrangements and disclosures, namely HKAS 27, HKAS 28, HKFRS 10, HKFRS 11 and HKFRS 12, were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Early application is permitted provided that all of these five new and revised standards are applied early at the same time. The directors of the Company anticipate that these new and revised standards will be applied in the Group's consolidation financial statements for the financial year ending 31 March 2014 and the potential impact is described below.



2. PRINCIPAL ACCOUNTING POLICIES – continued

HKFRS 10 *Consolidated Financial Statements* replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 *Joint Arrangements* replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

The directors of the Company considered that it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKFRS 11 until a detailed review has been completed.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation 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. An analysis of the Group's turnover for the period is as follows:

| | Six months ended 30 September | |
|------------------------------------|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Sales of TV products | 10,992 | 9,175 |
| Sales of digital set-top boxes | 1,535 | 1,740 |
| Sales of LCD modules | 187 | 38 |
| Sales of other electronic products | 323 | 157 |
| Property rental income | 37 | 38 |
| | 13,074 | 11,148 |



4. SEGMENT INFORMATION

The Group is organised into certain operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company).

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

1. TV products (PRC market) – design, manufacture and sale of televisions for the People's Republic of China (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region) (the "PRC") market
2. TV products (overseas market) – design, manufacture and sale of televisions for the overseas Market (including Hong Kong Special Administrative Region and Macau Special Administrative Region)
3. Digital set-top boxes – design, manufacture and sale of digital set-top boxes
4. LCD modules – design, manufacture and sale of liquid crystal display ("LCD") modules
5. Other electronic products – design, manufacture and sale of other products, mainly relating to electronics
6. Property holding – leasing of property

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

For the six months ended 30 September 2011

| | TV products (PRC market) HK\$ million | TV products (Overseas market) HK\$ million | Digital set-top boxes HK\$ million | LCD modules HK\$ million | Other electronic products HK\$ million | Property holding HK\$ million | Segment- total HK\$ million | Eliminations HK\$ million | Total HK\$ million |
|---|--|---|---|--------------------------------|---|-------------------------------------|-----------------------------------|------------------------------|-----------------------|
| Turnover | | | | | | | | | |
| Segment revenue from external customers | 10,212 | 780 | 1,535 | 187 | 323 | 37 | 13,074 | - | 13,074 |
| Inter-segment revenue | 127 | 2 | - | 343 | 149 | - | 621 | (621) | - |
| Total segment revenue | 10,339 | 782 | 1,535 | 530 | 472 | 37 | 13,695 | (621) | 13,074 |
| Results | | | | | | | | | |
| Segment results | 592 | (2) | 148 | 70 | 16 | 24 | 848 | - | 848 |
| Interest income | | | | | | | | | 33 |
| Unallocated corporate expenses less income | | | | | | | | | (193) |
| Finance costs | | | | | | | | | (75) |
| Share of results of jointly controlled entities | | | | | | | | | 14 |
| Consolidated profit before taxation of the Group | | | | | | | | | 627 |



4. SEGMENT INFORMATION – continued

For the six months ended 30 September 2010

| | TV products (PRC market) HK\$ million | TV products (Overseas market) HK\$ million | Digital set-top boxes HK\$ million | LCD modules HK\$ million | Other electronic products HK\$ million | Property holding HK\$ million | Segment- total HK\$ million | Eliminations HK\$ million | Total HK\$ million |
|--|--|---|---|--------------------------------|---|-------------------------------------|-----------------------------------|------------------------------|-----------------------|
| Turnover | | | | | | | | | |
| Segment revenue from external customers | 8,660 | 515 | 1,740 | 38 | 157 | 38 | 11,148 | - | 11,148 |
| Inter-segment revenue | 25 | 19 | 2 | 358 | 39 | - | 443 | (443) | - |
| Total segment revenue | 8,685 | 534 | 1,742 | 396 | 196 | 38 | 11,591 | (443) | 11,148 |
| Results | | | | | | | | | |
| Segment results | 333 | (8) | 206 | 12 | 4 | 21 | 568 | - | 568 |
| Interest income | | | | | | | | | 28 |
| Unallocated corporate expenses less income | | | | | | | | | (55) |
| Finance costs | | | | | | | | | (59) |
| Share of results of jointly controlled entities | | | | | | | | | 15 |
| Consolidated profit before taxation of the Group | | | | | | | | | 497 |

Segment results represent the profit earned by (loss from) each segment without allocation of interest income, 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 for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Other gains and losses comprise: | | |
| Exchange gain, net | 76 | 76 |
| Impairment loss recognised in respect of available-for-sale investments (note 14) | (79) | - |
| (Loss) gain from changes in fair value of financial assets classified as held for trading | (2) | 1 |
| (Loss) gain on disposal of property, plant and equipment | (8) | 2 |
| Loss from changes in fair value of derivative financial instruments (note 18) | (2) | (14) |
| | (15) | 65 |



6. FINANCE COSTS

| | Six months ended 30 September | |
|---|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Finance costs comprise: | | |
| Interest on bank borrowings wholly repayable within five years | 65 | 50 |
| Imputed interest expenses on obligations arising from put options written to non-controlling interests (<i>note 21</i>) | 10 | 9 |
| | 75 | 59 |

7. INCOME TAXES

| | Six months ended 30 September | |
|---------------------------------------|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Income taxes comprise: | | |
| PRC income tax | | |
| Current period | 129 | 85 |
| Under(over)provision in prior periods | 1 | (3) |
| | 130 | 82 |
| Deferred taxation | 12 | 2 |
| | 142 | 84 |

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

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 calculated at the prevailing PRC tax rates on the estimated assessable profits for the period.

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries which were enjoying preferential tax rate of 15%, the tax rate is increased from 15% over 5 years to 25% based on the relevant transitional provision. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Certain subsidiaries of the Company continue to enjoy tax holidays and concessions, such as "2+3 tax holiday" (two years' exemption followed by three years of half deduction) granted to them under the tax law and implementation rules. Such holidays and concessions will be expired in 2012.



7. INCOME TAXES – continued

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to enterprise income tax pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK\$15 million (for the six months ended 30 September 2010: HK\$6 million) in respect of the additional undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the period while HK\$1 million (for the six months ended 30 September 2010: nil) of previously provided deferred tax has been reversed and charged as current tax upon distributions by its subsidiaries during the period.

8. PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|---|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Profit for the period has been arrived at after charging (crediting): | | |
| Cost of inventories recognised as an expense | 10,275 | 9,152 |
| Depreciation of: | | |
| – property, plant and equipment | 106 | 126 |
| – investment properties | 2 | 3 |
| Dividend income from: | | |
| – listed investments | (4) | (3) |
| – unlisted investments | (11) | (11) |
| Government grants | (44) | (26) |
| Impairment loss on trade receivables | 12 | 1 |
| Interest income: | | |
| Interest income from bank deposits | (28) | (23) |
| Imputed interest income from | | |
| – other receivable (note 13) | (3) | (3) |
| – trade receivables from sale on instalment basis | (2) | (2) |
| | (33) | (28) |
| Release of prepaid lease payments on land use rights | 4 | 4 |
| Rental income from leasing of properties less related outgoings of HK\$28 million (for the six months ended 30 September 2010: HK\$25 million) | (9) | (13) |
| Staff costs, including directors' emoluments | 1,044 | 618 |
| Write-down of inventories | 34 | 28 |



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:

| | Six months ended | |
|--|-------------------------|---------------------|
| | 30 September | 2010 |
| | 2011 | (unaudited) |
| | (unaudited) | (unaudited) |
| | HK\$ million | HK\$ million |
| Earnings: | | |
| Earnings for the purposes of basic and diluted earnings per share | 461 | 354 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,604,055,897 | 2,535,465,532 |
| Effect of dilutive potential ordinary shares in respect of share options outstanding | 79,144,082 | 107,147,257 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 2,683,199,979 | 2,642,612,789 |

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 during the periods.

10. DIVIDENDS

Subsequent to 30 September 2011, a dividend of HK9 cents per share, amounting to HK\$235 million in total, was distributed to shareholders on 28 October 2011 as the final dividend for the year ended 31 March 2011. Such amount was recognised as distribution and as dividend payable on the consolidated statement of financial position when such declaration of dividend was approved by the shareholders in the Company's Annual General Meeting held on 30 August 2011. Of such final dividend, an aggregate amount of HK\$114 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

During the six months ended 30 September 2010, a dividend of HK8 cents per share, amounting to HK\$203 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2010. Of such final dividend, an aggregate of HK\$116 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The Board of Directors has resolved that an interim dividend of HK5.5 cents per share for the year ending 31 March 2012, amounting to HK\$144 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 16 December 2011 with an option to elect scrip dividend wholly or partly in lieu of cash dividend.



11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group had incurred approximately HK\$158 million (for the six months ended 30 September 2010: approximately HK\$112 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\$204 million (for the six months ended 30 September 2010: approximately HK\$67 million) on the acquisition of other property, plant and equipment for business operations and expansion.

12. MOVEMENTS IN INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the six months ended 30 September 2010, the Group invested HK\$8 million to set up a 50% owned jointly controlled entity that principally engaged in the business of research and development of Active Matrix/Organic Light Emitting Diode (“AMOLED”) technology.

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 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 major shareholder of that unlisted equity securities (the “major shareholder”) respectively, which enable the Group to require the major shareholder to purchase, and enable the major 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.

At the end of the reporting period, the consideration paid has not been recognised as an investment of the Group. The majority shareholder has retained control and significant risks and rewards over the 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 effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable was 6.40% per annum.

14. MOVEMENTS IN AVAILABLE-FOR SALE INVESTMENTS

During the six months ended 30 September 2011, the Group invested HK\$119 million (for six months ended 30 September 2010: HK\$3 million) in certain listed equity securities in Hong Kong.

The directors conducted a review of the recoverable amounts of the Group’s available-for-sale investments at the end of the reporting period and determined that an impairment loss of HK\$79 million (for the six months ended 30 September 2010: nil) is required to be made.



15. INVENTORIES

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|------------------|---|---|
| Raw materials | 1,400 | 870 |
| Work in progress | 283 | 157 |
| Finished goods | 2,858 | 1,630 |
| | 4,541 | 2,657 |

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales in the PRC are generally settled by payment on delivery or receipt of bills issued by banks with maturity dates ranging 30 to 180 days. Sales to certain retailers in the PRC are settled within one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

For sales of digital set-top boxes, the credit terms are normally ranging from 90 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, presented based on the invoice date at the end of the reporting period:

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|--|---|---|
| Within 30 days | 2,101 | 733 |
| 31 to 60 days | 263 | 203 |
| 61 to 90 days | 164 | 235 |
| 91 to 365 days | 717 | 749 |
| Over 365 days | 206 | 131 |
| Trade receivables | 3,451 | 2,051 |
| Advertising deposits paid | 76 | 75 |
| Purchase deposits paid | 206 | 312 |
| Value-added-tax ("VAT") receivables | 330 | 265 |
| Other deposits paid, prepayments and other receivables | 345 | 251 |
| | 4,408 | 2,954 |



17. BILLS RECEIVABLE

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

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|---|--|--|
| Within 30 days | 1,001 | 967 |
| 31 to 60 days | 468 | 943 |
| 61 to 90 days | 753 | 1,501 |
| 91 days or over | 3,732 | 2,841 |
| Bills endorsed to suppliers with recourse | 779 | 306 |
| Bills discounted with recourse | – | 693 |
| | 6,733 | 7,251 |

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 at the end of the reporting period. Accordingly, the liabilities associated with such bills, mainly borrowings and payables as disclosed in notes 22 and 19, respectively, are recognised in the condensed consolidated financial statements as well.

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|--|--|--|
| Derivative financial instruments are analysed as: | | |
| Derivatives not under hedge accounting: | | |
| – Foreign currency forward contracts (Note 1) | 16 | 6 |
| – Performance swap contract (Note 2) | (11) | – |
| – Target redemption forward contract (Note 3) | (3) | – |
| Derivative under hedge accounting: | | |
| – Cross-currency interest rate swaps contract (Note 4) | (18) | (19) |



18. DERIVATIVE FINANCIAL INSTRUMENTS – continued

| | Six months ended 30 September | |
|--|-------------------------------------|-------------------------------------|
| | 2011 (unaudited) HK\$ million | 2010 (unaudited) HK\$ million |
| Gain (loss) from changes in fair value of derivative financial instruments comprise: | | |
| – Foreign currency forward contracts (Note 1) | 10 | (8) |
| – Performance swap contract (Note 2) | (10) | – |
| – Target redemption forward contract (Note 3) | (2) | (6) |
| | (2) | (14) |

The following is the analysis of the derivative financial instruments for financial reporting purposes:

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|---|--|--|
| Assets | | |
| Foreign currency forward contracts | 16 | 6 |
| Liabilities | | |
| Performance swap contract | (11) | – |
| Target redemption forward contract | (3) | – |
| Cross-currency interest rate swaps contract | (18) | (19) |
| | (32) | (19) |

Note 1: Foreign currency forward contracts

The Group has entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 month/one year United States dollars (“US\$”) loans from these banks for settlement in US\$ payable to suppliers denominated in US\$. At the same time, the Group (a) placed 6 month/one year fixed deposits (amounted to the Renminbi (“RMB”) equivalent of the respective amounts of US\$ loans plus interests thereon) to the banks as security against the US\$ loans; and (b) entered into forward contracts with the banks to purchase US\$ (amounted to the US\$ loans plus interests thereon) in RMB at predetermined forward rates.

As at 30 September 2011, US\$ loans of HK\$90 million (as at 31 March 2011: HK\$50 million) and fixed deposits denominated in RMB of HK\$92 million (as at 31 March 2011: HK\$52 million) are included in other bank loans and pledged bank deposits as disclosed in notes 22 and 25 respectively.

The related interest income on the fixed deposits of HK\$1 million (for the six months ended 30 September 2010: HK\$17 million) and exchange gain on US\$ loans of HK\$1 million (for the six months ended 30 September 2010: HK\$15 million) are included in profit or loss, while the interest expenses on US\$ loans of HK\$2 million (for the six months ended 30 September 2010: HK\$16 million) are included in finance costs.

Other than the arrangements as described above, the Group also entered into foreign currency forward contracts with various established commercial banks in Hong Kong to purchase US\$ in RMB at predetermined forward rates.



18. DERIVATIVE FINANCIAL INSTRUMENTS – continued

Note 1: Foreign currency forward contracts – continued

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

| Aggregate principal amount | Maturity | Forward exchange rate (net settlement) |
|--------------------------------|------------------------------------|--|
| As at 30 September 2011 | | |
| US\$31,207,755 | From October 2011 to December 2011 | Buy US\$/sell RMB at 6.4430 to 6.5200 |
| US\$69,882,687 | From January 2012 to March 2012 | Buy US\$/sell RMB at 6.3600 to 6.5160 |
| As at 31 March 2011 | | |
| US\$31,207,755 | From October 2011 to December 2011 | Buy US\$/sell RMB at 6.4430 to 6.5200 |
| US\$64,959,269 | From January 2012 to March 2012 | Buy US\$/sell RMB at 6.4610 to 6.5160 |

At 30 September 2011, the fair value of the Group's foreign currency forward contracts is estimated to be an asset of HK\$16 million (as at 31 March 2011: HK\$6 million). These amounts are based on market prices quoted by the counterparty financial institutions at the end of the reporting period. During the period, the gain from changes in fair value of the foreign currency forward contracts amounting to HK\$10 million (for the six months ended 30 September 2010: loss from changes in fair value of HK\$8 million) has been recognised in profit or loss.

Note 2: Performance swap contract

During the current period, the Group entered into a performance swap contract with a bank, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates and foreign currency exposure in relation to its payables arising from time to time denominated in US\$.

The performance swap contract consists of an interest rate swap and a target redemption forward contract:

- the interest rate swap with notional amount of US\$25,000,000 has interest payments in US\$ at US\$-LIBOR-BBA per annum capped at 1.0% per annum and floating interest receipts in US\$ at 1% plus US\$-LIBOR-BBA per annum for periods up to March 2012; and
- the target redemption forward contract comprises non-deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates up to June 2013, save for the event leading to the knock-out and termination contract as discussed below.

At each expiry date:

- if the US\$ to RMB spot exchange rate (the "Spot Rate 1") is less than or equal to the strike rates as stipulated in the agreement (the "Strike Rates"), there would have no settlements.

The contract would be knocked-out and terminated when there are no settlements for an aggregate of nine times; and

- if the Spot Rate 1 is greater than the Strike Rates, the Group would pay to the bank a net settlement calculated based on the difference between the Spot Rate and the Strike Rates times a notional amount of US\$5 million, settled in US\$ equivalent. There are no knock-out and termination features for losses.

Loss from change in fair value of HK\$10 million in respect of this contract has been recognised in profit or loss for the six months ended 30 September 2011.



18. DERIVATIVE FINANCIAL INSTRUMENTS – continued

Note 3: Target redemption forward contract

During the current period, the Group entered into a two-year target redemption forward contract with a bank, of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated in US\$. The target redemption forward contract comprises non-deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates, 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\$ to RMB spot exchange rate (the "Spot Rate 2") is greater than or equal to the lower barrier rate (buy US\$/sell RMB at 6.0965, the "Lower Barrier Rate") and less than or equal to the upper barrier rate (buy US\$/sell RMB at 6.5800, the "Upper Barrier Rate") as specified in the contract, the Group would receive a predetermined fixed amount of RMB360,000 which would be settled in US\$ equivalent.

The contract would be knocked-out and terminated when the cumulative net settlements received by the Group reach RMB3,960,000 as stipulated in the contract;

- (ii) if the Spot Rate 2 is greater than the Upper Barrier Rate, there would have no settlement;
- (iii) if the Spot Rate 2 is less than the Lower Barrier Rate, the Group would pay to the bank a net settlement calculated based on the difference between the Spot Rate 2 and the Lower Barrier Rate times a notional amount of US\$20 million, settled in US\$ equivalent. There are no knock-out and termination features for losses.

Loss from change in fair value of HK\$2 million in respect of this contract has been recognised in profit or loss for the six months ended 30 September 2011.

A loss of HK\$6 million in respect of two other target redemption forward contracts had been recognised in the profit or loss during the six months ended 30 September 2010. These contracts had been knock-out and terminated in prior year.

Note 4: Cross-currency interest rate swaps contract

The Group uses cross-currency interest rate swaps contract which is designated as highly effective hedging instruments to minimise its exposures to foreign currency and cash flow interest rate risk of its floating-rate US\$ bank borrowing by swapping the floating-rate US\$ bank borrowing to fixed-rate RMB bank borrowing. The cross-currency interest rate swaps of the Group with notional amount of US\$60,000,000 (equivalent to RMB402,300,000 at the date of inception of the loan) has fixed currency payments in RMB at exchange rate of US\$ to RMB at 6.705, fixed interest payments in RMB at 2.99% per annum and floating interest receipts in US\$ at 3% plus US\$-LIBOR-BBA per annum for periods up to August 2013. The cross-currency interest rate swaps and the corresponding bank borrowings have the same terms and the directors consider that the cross-currency interest rate swaps contract is a highly effective hedging instrument.

At the end of the reporting period, the fair value of the above cross-currency interest rate swaps was determined based on valuation provided by the counterparty bank using valuation techniques.

Gain from changes in fair value of HK\$1 million (for the six months ended 30 September 2010: nil) has been recognised in other comprehensive income and accumulated in hedging reserve during the period.



19. TRADE AND OTHER PAYABLES

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

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|---|---|---|
| Within 30 days | 2,287 | 1,273 |
| 31 to 60 days | 434 | 333 |
| 61 to 90 days | 567 | 559 |
| 91 days or over | 284 | 144 |
| Trade payables settled with endorsed bills | 779 | 306 |
| Trade payables | 4,351 | 2,615 |
| Accrued selling and distribution expenses | 802 | 610 |
| Accruals and other payables | 757 | 619 |
| Accrued staff costs | 360 | 381 |
| Rental and utility deposits received and others | 133 | 108 |
| Sales deposits received | 885 | 718 |
| VAT payable | 212 | 111 |
| | 7,500 | 5,162 |

20. BILLS PAYABLE

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

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|-----------------|---|---|
| Within 30 days | 251 | 200 |
| 31 to 60 days | 120 | 218 |
| 61 to 90 days | 154 | 242 |
| 91 days or over | 266 | 257 |
| | 791 | 917 |

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



21. OBLIGATIONS ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING INTERESTS

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

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|--|---|---|
| At the beginning of the period/year | 308 | 243 |
| Imputed interest expenses for the period/year | 10 | 18 |
| Changes in estimated redemption price regarding put options written to the Employees | 16 | 40 |
| Interest paid for the period/year | (10) | – |
| Exchange realignment | 9 | 7 |
| At the end of the period/year | 333 | 308 |
| Analysis as: | | |
| Current liabilities | 144 | 125 |
| Non-current liabilities | 189 | 183 |
| | 333 | 308 |

22. BANK BORROWINGS

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|---|---|---|
| Bank borrowings comprise the following: | | |
| Financial liabilities on bills discounted with recourse | – | 693 |
| US\$ loans associated with foreign currency forward contracts (note 18) | 90 | 50 |
| Other bank loans | 4,462 | 3,612 |
| | 4,552 | 4,355 |
| Secured | 1,727 | 3,066 |
| Unsecured | 2,825 | 1,289 |
| | 4,552 | 4,355 |
| Carrying amount repayable: | | |
| Within one year | 3,773 | 3,577 |
| More than two years but not more than five years | 779 | 778 |
| | 4,552 | 4,355 |



23. SHARE CAPITAL

| | Number of shares | | Share capital | |
|--|-----------------------------|-----------------------------|--|--|
| | 1.4.2011 to 30.9.2011 | 1.4.2010 to 31.3.2011 | 1.4.2011 to 30.9.2011 (unaudited) HK\$ million | 1.4.2010 to 31.3.2011 (audited) HK\$ million |
| Ordinary shares of HK\$0.1 each: | | | | |
| Authorised: | | | | |
| At beginning and at end of the period/year | 10,000,000,000 | 10,000,000,000 | 1,000 | 1,000 |
| Issued and fully paid: | | | | |
| At beginning of the period/year | 2,593,815,941 | 2,527,338,923 | 259 | 253 |
| Issue of shares upon exercise of share options | 19,632,500 | 22,458,000 | 2 | 2 |
| Issue of shares under scrip dividend scheme | – | 44,019,018 | – | 4 |
| At end of the period/year | 2,613,448,441 | 2,593,815,941 | 261 | 259 |

24. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payment* to account for its share options (Note (i)) and sales of shares of subsidiary to employees at consideration below fair value (Note (ii)). An aggregate amount of share-based payment expenses of HK\$29 million (for the six months ended 30 September 2010: HK\$7 million) has been recognised in the profit or loss of the current period.

Note (i): 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:

| | 1.4.2011 to 30.9.2011 | | 1.4.2010 to 31.3.2011 | |
|---|----------------------------|---|----------------------------|---|
| | Number of share options | Weighted average exercise price HK\$ | Number of share options | Weighted average exercise price HK\$ |
| Outstanding at the beginning of the period/year | 171,996,500 | 2.281 | 138,454,500 | 1.070 |
| Granted during the period/year | 5,600,000 | 3.998 | 56,000,000 | 4.669 |
| Exercised during the period/year | (19,632,500) | 0.925 | (22,458,000) | 0.773 |
| Outstanding at the end of the period/year | 157,964,000 | 2.510 | 171,996,500 | 2.281 |



24. SHARE-BASED PAYMENTS – continued

Note (i): Share options – continued

Share option expenses charged to profit or loss are based on valuation determined using the relevant valuation techniques. Share options granted in current period were valued based on the following assumptions:

| Date of grant | Number of share options granted | Valuation technique | Vesting period | Fair value per option HK\$ | Total fair value of options granted HK\$ | Closing share price at date of grant HK\$ | Exercise price HK\$ | Expected life | Expected volatility | Expected dividend yield % | Risk free interest rate % |
|-------------------|---------------------------------|---------------------|-------------------------------------|-------------------------------|---|--|------------------------|---------------|---------------------|------------------------------|------------------------------|
| 16 September 2011 | 1,000,000 | Binomial model | 16 September 2011 to 31 August 2012 | 1.9929 | 1,993,000 | 4.01 | 4.08 | 7.04 years | 65 | 3.49 | 2.12 |
| 16 September 2011 | 1,000,000 | Binomial model | 16 September 2011 to 31 August 2013 | 1.9891 | 1,989,000 | 4.01 | 4.08 | 7.04 years | 65 | 3.49 | 2.12 |
| 16 September 2011 | 1,000,000 | Binomial model | 16 September 2011 to 31 August 2014 | 1.9755 | 1,976,000 | 4.01 | 4.08 | 7.04 years | 65 | 3.49 | 2.12 |
| 16 September 2011 | 1,000,000 | Binomial model | 16 September 2011 to 31 August 2015 | 1.9507 | 1,950,000 | 4.01 | 4.08 | 7.04 years | 65 | 3.49 | 2.12 |
| 16 September 2011 | 1,000,000 | Binomial model | 16 September 2011 to 31 August 2016 | 1.9151 | 1,915,000 | 4.01 | 4.08 | 7.04 years | 65 | 3.49 | 2.12 |
| | <u>5,000,000</u> | | | | <u>9,823,000</u> | | | | | | |
| 26 September 2011 | 120,000 | Binomial model | 26 September 2011 to 31 August 2012 | 1.2530 | 150,000 | 2.85 | 3.33 | 7.02 years | 65 | 4.91 | 2.12 |
| 26 September 2011 | 120,000 | Binomial model | 26 September 2011 to 31 August 2013 | 1.2488 | 150,000 | 2.85 | 3.33 | 7.02 years | 65 | 4.91 | 2.12 |
| 26 September 2011 | 120,000 | Binomial model | 26 September 2011 to 31 August 2014 | 1.2349 | 148,000 | 2.85 | 3.33 | 7.02 years | 65 | 4.91 | 2.12 |
| 26 September 2011 | 120,000 | Binomial model | 26 September 2011 to 31 August 2015 | 1.2112 | 145,000 | 2.85 | 3.33 | 7.02 years | 65 | 4.91 | 2.12 |
| 26 September 2011 | 120,000 | Binomial model | 26 September 2011 to 31 August 2016 | 1.1785 | 142,000 | 2.85 | 3.33 | 7.02 years | 65 | 4.91 | 2.12 |
| | <u>600,000</u> | | | | <u>735,000</u> | | | | | | |
| | <u>5,600,000</u> | | | | <u>10,558,000</u> | | | | | | |

Expected volatility was determined by using the historical volatility of the Company's share price over previous year. The effects of time to vest, non-transferability, exercise restrictions and behavioral considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised in the total expense of HK\$25 million for the period (for the six months ended 30 September 2010: HK\$3 million) in relation to share options granted by the Company.

Note (ii): Sale of shares of subsidiary to employees at consideration below fair value

The Group recognised in the total expense of HK\$4 million (for the six months ended 30 September 2010: HK\$4 million) in relation to the equity-settled share-based payments in respect of sale of SDT's shares at consideration below fair value.



25. PLEDGE OF ASSETS

At 30 September 2011, the Group's bank borrowings were secured by structured bank deposit and pledged bank deposits of HK\$37 million (as at 31 March 2011: HK\$36 million) and HK\$667 million (as at 31 March 2011: HK\$558 million), respectively.

In addition, the Group's bank borrowings at 30 September 2011 were secured by leasehold land and building of HK\$22 million (as at 31 March 2011: HK\$92 million). Besides, at 31 March 2011, certain bank borrowings were secured by prepaid lease payments on land use rights of HK\$87 million.

At 30 September 2011, there were other bills receivable endorsed to suppliers of HK\$779 million (as at 31 March 2011: HK\$306 million). Besides, at 31 March 2011, there were bills receivable discounted with recourse of HK\$693 million. Such amounts were disclosed in note 17.

26. CAPITAL COMMITMENTS

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

| | As at 30 September 2011 (unaudited) HK\$ million | As at 31 March 2011 (audited) HK\$ million |
|---|---|---|
| Contracted but not provided for, in respect of: | | |
| Purchase of property, plant and equipment | 9 | 50 |
| Factory buildings under development | 215 | 83 |
| | 224 | 133 |
| Authorised but not contracted for, in respect of: | | |
| Purchase of property, plant and equipment | 1 | 1 |
| Factory buildings under development | 2,085 | 118 |
| | 2,086 | 119 |

Except as described above, on 19 March 2010, RGB entered into a joint venture agreement with two independent third parties, LG Display Co., Ltd ("LG") and Guangzhou-Kaide Technologies Development Co., Ltd. ("Kaide"), in relation to the formation of a joint venture, LG Display (China) ("LGD"), in the PRC. The proposed principal business activities of LGD are the manufacturing and sales of TFT-LCD materials and other electronics components, importing of such products for domestic sales and exporting and the provision of after sales services. RGB, LG and Kaide agreed to invest US\$133,400,000, US\$933,800,000 and US\$266,800,000, respectively, to LGD, representing 10%, 70% and 20% of the registered capital of LGD. The establishment of LGD is subject to the approval by the relevant government authorities in the PRC and registration being made at the State Administration of Industry and Commerce of the PRC. The transaction has not yet been completed and the related capital injection has not been made by the Group as of the date of approval for issuance of these condensed consolidated financial statements.



27. CONTINGENT LIABILITIES

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

28. RELATED PARTY TRANSACTIONS

Trading transactions

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

| | Six months ended | |
|---|-------------------------|---------------------|
| | 30 September | |
| | 2011 | 2010 |
| | (unaudited) | (unaudited) |
| | HK\$ million | HK\$ million |
| Advertising and promotional expenses paid | 17 | 12 |
| Purchases of raw materials | 29 | 13 |
| Purchases of finished goods | 2 | 1 |
| Sales of raw materials | 3 | 4 |

Compensation of key management personnel

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

| | Six months ended | |
|----------------------|-------------------------|---------------------|
| | 30 September | |
| | 2011 | 2010 |
| | (unaudited) | (unaudited) |
| | HK\$ million | HK\$ million |
| Short-term benefits | 34 | 23 |
| Share-based payments | 6 | 2 |

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

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SKYWORTH DIGITAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 35, which comprises 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 2011 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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 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 inquiries, 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

24 November 2011



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 2011 of HK5.5 cents (2010: HK5 cents) per ordinary share, totaling approximately HK\$144 million (2010: HK\$129 million) to the shareholders of the Company on or around 1 February 2012 whose names appear on the register of members of the Company at the close of business on 16 December 2011. 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

As at 30 September 2011, 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 2011, 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 | | 6,381,065 | 0.244% |
| | Held by trust | (Note a) | 801,975,183 | 30.687% |
| | Held by spouse | (Note b) | 68,709,297 | 2.629% |
| | | (Note c) | 877,065,545 | 33.560% |
| Yang Dongwen | Beneficial owner | | 13,333,243 | 0.510% |
| Zhang Xuebin | Beneficial owner | | 8,604,593 | 0.329% |
| Leung Chi Ching, Frederick | Beneficial owner | | 5,574,083 | 0.213% |
| Ding Kai | Beneficial owner | | 3,409,436 | 0.130% |
| Lu Rongchang | Beneficial owner | | 2,281,842 | 0.087% |
| Li Weibin | Beneficial owner | | 875,000 | 0.033% |
| So Hon Cheung, Stephen | Beneficial owner | | 257,553 | 0.010% |
| Shi Chi | Beneficial owner | | 250,116 | 0.010% |

Note a: These shares are held by Target Success Group (PTC) 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 801,975,183 ordinary shares of the Company.

Note b: Ms. Lin Wei Ping is deemed to be interested in 68,709,297 ordinary shares of the Company being the interests held beneficially by her spouse, Mr. Wong Wang Sang, Stephen.

Note c: Ms. Lin Wei Ping is deemed to be interested in 877,065,545 ordinary shares of the Company.



DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS – continued

(b) Share options of the Company

As at 30 September 2011, certain directors of the Company had personal interests in the share options granted under the Company's share option schemes as follows:

| Name of director | Capacity | Number of shares options held/underlying shares of the Company |
|----------------------------|------------------|--|
| Shi Chi | Beneficial owner | 8,500,000 |
| Lu Rongchang | Beneficial owner | 6,750,000 |
| Yang Dongwen | Beneficial owner | 6,000,000 |
| Zhang Xuebin | Beneficial owner | 1,500,000 |
| Ding Kai | Beneficial owner | 1,000,000 |
| Leung Chi Ching, Frederick | Beneficial owner | 1,000,000 |
| Lin Wei Ping | Beneficial owner | 1,000,000 |
| So Hon Cheung, Stephen | Beneficial owner | 125,000 |
| Li Weibin | Beneficial owner | 125,000 |

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 as at 30 September 2011, 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 2011.

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

As at 30 September 2011, 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 (PTC) Limited | Trustee (<i>Note a</i>) | 801,975,183 | 30.687% |
| HSBC International Trustee Limited | Trustee (<i>Note b</i>) | 801,975,183 | 30.687% |
| Lin Wei Ping | Beneficial owner Held and deemed to be held by spouse (<i>Note c</i>) | 6,381,065 | 0.244% |
| | | 870,684,480 | 33.316% |
| | | 877,065,545 | 33.560% |
| Wong Wang Sang, Stephen | Beneficial owner Held and deemed to be held by spouse (<i>Note d</i>) | 68,709,297 | 2.629% |
| | | 808,356,248 | 30.931% |
| | | 877,065,545 | 33.560% |
| HSBC Global Asset Management (Hong Kong) Limited | | 163,579,215 | 6.259% |
| Deutsche Bank Aktiengesellschaft | <i>(Note e)</i> | 151,241,744 (L) | 5.787% |
| | | 98,036,623 (S) | 3.751% |
| | | 2,901,362 (P) | 0.080% |

Note a: Target Success Group (PTC) 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 801,975,183 shares of the Company as it is the trustee of the Skysource Trust.

Note c: Ms. Lin Wei Ping is deemed to be interested in 870,684,480 ordinary shares of the Company being the 68,709,297 ordinary shares held by her spouse, Mr. Wong Wang Sang, Stephen and 801,975,183 ordinary shares held as discretionary beneficiary of Skysource Trust.

Note d: Mr. Wong Wang Sang, Stephen is deemed to be interested in 808,356,248 shares of the Company being the interests held by his spouse, Ms. Lin Wei Ping (6,381,065 ordinary shares held by herself and 801,975,183 ordinary shares held as discretionary beneficiary of the Skysource Trust).

Note e: Deutsche Bank Aktiengesellschaft held 151,241,744 shares, 98,036,623 shares and 2,901,362 shares of the Company in long position, short position and 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 as at 30 September 2011.



SHARE OPTIONS

The following tables showed the movements in the Company's share options granted to the directors and employees and/or consultants under 2002 Share Option Scheme and 2008 Share Option Scheme during the period ended 30 September 2011:

Under 2002 Share Option Scheme

| Date of grant | Exercise price HK\$ | Vesting period | Exercisable period | Number of share options | | | | |
|--|------------------------|-------------------------------------|----------------------------------|--------------------------------|------------------------------|--|-----------------------------|---|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note a) | Lapsed during the period | Outstanding at 30 September 2011 |
| Directors: | | | | | | | | |
| Zhang Xuebin 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 2,500,000 | - | (2,500,000) | - | - |
| Ding Kai 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 1,500,000 | - | (1,500,000) | - | - |
| Yang Dongwen 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 1,500,000 | - | (1,500,000) | - | - |
| Lin Wei Ping 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 500,000 | - | (500,000) | - | - |
| Lu Rongchang 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 750,000 | - | (750,000) | - | - |
| 1 February 2008 | 0.770 | 1 February 2008 to 30 April 2011 | 1 May 2011 to 28 August 2012 | 250,000 | - | (250,000) | - | - |
| | | 1 February 2008 to 30 April 2012 | 1 May 2012 to 28 August 2012 | 250,000 | - | - | - | 250,000 |
| Leung Chi Ching, Frederick 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 1,500,000 | - | (1,500,000) | - | - |
| So Hon Cheung, Stephen 1 February 2008 | 0.770 | 1 February 2008 to 30 April 2011 | 1 May 2011 to 28 August 2012 | 125,000 | - | (125,000) | - | - |
| | | 1 February 2008 to 30 April 2012 | 1 May 2012 to 28 August 2012 | 125,000 | - | - | - | 125,000 |
| Li Weibin 1 February 2008 | 0.770 | 1 February 2008 to 30 April 2011 | 1 May 2011 to 28 August 2012 | 125,000 | - | (125,000) | - | - |
| | | 1 February 2008 to 30 April 2012 | 1 May 2012 to 28 August 2012 | 125,000 | - | - | - | 125,000 |
| | | | | 9,250,000 | - | (8,750,000) | - | 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 30 September 2011 |
|-------------------------------|------------------------|------------------------------------|-----------------------------------|-----------------------------|---------------------------|---|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note a) | Lapsed during the period | |
| Employees/Consultants: | | | | | | | | |
| 16 October 2003 | 1.660 | 16 October 2003 to 15 October 2004 | 16 October 2004 to 28 August 2012 | 11,782,500 | – | – | – | 11,782,500 |
| | | 16 October 2003 to 15 October 2005 | 16 October 2005 to 28 August 2012 | 12,272,500 | – | – | – | 12,272,500 |
| | | 16 October 2003 to 15 October 2006 | 16 October 2006 to 28 August 2012 | 12,372,500 | – | – | – | 12,372,500 |
| | | 16 October 2003 to 15 October 2007 | 16 October 2007 to 28 August 2012 | 12,998,000 | – | – | – | 12,998,000 |
| | | 16 October 2003 to 15 October 2008 | 16 October 2008 to 28 August 2012 | 1,000,000 | – | – | – | 1,000,000 |
| 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 |
| 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 |



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 30 September 2011 |
|---|------------------------|------------------------------------|-----------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note a) | Lapsed during the period | |
| Employees/Consultants: – continued | | | | | | | | |
| 11 May 2007 | 1.048 | 11 May 2007 to 10 May 2008 | 11 May 2008 to 28 August 2012 | 125,000 | – | – | – | 125,000 |
| | | 11 May 2007 to 10 May 2009 | 11 May 2009 to 28 August 2012 | 175,000 | – | – | – | 175,000 |
| | | 11 May 2007 to 10 May 2010 | 11 May 2010 to 28 August 2012 | 2,500,000 | – | (1,500,000) | – | 1,000,000 |
| | | 11 May 2007 to 10 May 2011 | 11 May 2011 to 28 August 2012 | 4,125,000 | – | (2,120,000) | – | 2,005,000 |
| 1 February 2008 | 0.770 | 1 February 2008 to 31 January 2009 | 1 February 2009 to 28 August 2012 | 929,000 | – | (1,500) | – | 927,500 |
| | | 1 February 2008 to 31 January 2010 | 1 February 2010 to 28 August 2012 | 1,204,500 | – | (18,500) | – | 1,186,000 |
| | | 1 February 2008 to 30 April 2011 | 1 May 2011 to 28 August 2012 | 7,837,500 | – | (4,838,500) | – | 2,999,000 |
| | | 1 February 2008 to 30 April 2012 | 1 May 2012 to 28 August 2012 | 7,837,500 | – | – | – | 7,837,500 |
| 2 April 2008 | 0.712 | 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 | 668,000 | – | (1,500) | – | 666,500 |
| | | 19 August 2008 to 18 August 2010 | 19 August 2010 to 28 August 2012 | 964,000 | – | (47,500) | – | 916,500 |
| | | 19 August 2008 to 18 August 2011 | 19 August 2011 to 28 August 2012 | 2,225,000 | – | (923,000) | – | 1,302,000 |
| | | 19 August 2008 to 18 August 2012 | 19 August 2012 to 28 August 2012 | 2,225,000 | – | – | – | 2,225,000 |
| | | | | 83,771,000 | – | (10,200,500) | – | 73,570,500 |
| | | | | 93,021,000 | – | 18,950,500 | – | 74,070,500 |

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 2011 was HK\$4.72.



SHARE OPTIONS – continued

Under 2008 Share Option Scheme

| Date of grant | Exercise price HK\$ | Vesting period | Exercisable period | Number of share options | | | | Outstanding at 30 September 2011 |
|---------------------|------------------------|------------------------------------|---------------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note b) | Lapsed during the period | |
| Directors: | | | | | | | | |
| Zhang Xuebin | | | | | | | | |
| 6 November 2008 | 0.374 | 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 |
| Ding Kai | | | | | | | | |
| 6 November 2008 | 0.374 | 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 |
| Yang Dongwen | | | | | | | | |
| 6 November 2008 | 0.374 | 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 |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 1,000,000 | – | – | – | 1,000,000 |



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 2011 |
|-----------------------------------|------------------------|------------------------------------|--------------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note b) | Lapsed during the period | |
| Directors: – continued | | | | | | | | |
| Lin Wei Ping | | | | | | | | |
| 6 November 2008 | 0.374 | 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 |
| Lu Rongchange | | | | | | | | |
| 6 November 2008 | 0.374 | 6 November 2008 to 5 November 2011 | 6 November 2011 to 30 September 2018 | 250,000 | – | – | – | 250,000 |
| | | 6 November 2008 to 5 November 2012 | 6 November 2012 to 30 September 2018 | 250,000 | – | – | – | 250,000 |
| 21 June 2010 | 6.580 | 21 June 2010 to 20 June 2011 | 21 June 2011 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2012 | 21 June 2012 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2013 | 21 June 2013 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| | | 21 June 2010 to 20 June 2014 | 21 June 2014 to 30 September 2018 | 1,500,000 | – | – | – | 1,500,000 |
| Leung Chi Ching, Frederick | | | | | | | | |
| 6 November 2008 | 0.374 | 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 30 September 2011 |
|-------------------------------|------------------------|-------------------------------------|---------------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note b) | Lapsed during the period | |
| Directors: – continued | | | | | | | | |
| Shi Chi | | | | | | | | |
| 6 November 2008 | 0.374 | 6 November 2008 to 5 November 2011 | 6 November 2011 to 30 September 2018 | 250,000 | – | – | – | 250,000 |
| | | 6 November 2008 to 5 November 2012 | 6 November 2012 to 30 September 2018 | 250,000 | – | – | – | 250,000 |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 600,000 | – | – | – | 600,000 |
| 16 September 2011 | 4.080 | 16 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | – | 1,000,000 | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | – | 1,000,000 | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | – | 1,000,000 | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | – | 1,000,000 | – | – | 1,000,000 |
| | | 16 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | – | 1,000,000 | – | – | 1,000,000 |
| | | | | 20,500,000 | 5,000,000 | – | – | 25,500,000 |



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 30 September 2011 |
|-------------------------------|------------------------|--------------------------------------|---------------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note b) | Lapsed during the period | |
| Employees/Consultants: | | | | | | | | |
| 6 November 2008 | 0.374 | 6 November 2008 to 5 November 2009 | 6 November 2009 to 30 September 2018 | 534,500 | – | (60,000) | – | 474,500 |
| | | 6 November 2008 to 5 November 2010 | 6 November 2010 to 30 September 2018 | 1,940,000 | – | (596,000) | – | 1,344,000 |
| | | 6 November 2008 to 5 November 2011 | 6 November 2011 to 30 September 2018 | 6,887,500 | – | – | – | 6,887,500 |
| | | 6 November 2008 to 5 November 2012 | 6 November 2012 to 30 September 2018 | 6,887,500 | – | – | – | 6,887,500 |
| 26 November 2008 | 0.415 | 26 November 2008 to 25 November 2009 | 26 November 2009 to 30 September 2018 | 1,000 | – | (1,000) | – | – |
| | | 26 November 2008 to 25 November 2010 | 26 November 2010 to 30 September 2018 | 25,000 | – | (25,000) | – | – |
| | | 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 |



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 2011 |
|-------------------|------------------------|-------------------------------------|---------------------------------------|-----------------------------|---------------------------|--|--------------------------|----------------------------------|
| | | | | Outstanding at 1 April 2011 | Granted during the period | Exercised/ cancelled during the period (Note b) | Lapsed during the period | |
| 24 March 2011 | 4.440 | 24 March 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | 8,400,000 | – | – | – | 8,400,000 |
| | | 24 March 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | 8,400,000 | – | – | – | 8,400,000 |
| | | 24 March 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | 8,400,000 | – | – | – | 8,400,000 |
| | | 24 March 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | 8,400,000 | – | – | – | 8,400,000 |
| | | 24 March 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | 8,400,000 | – | – | – | 8,400,000 |
| 26 September 2011 | 3.310 | 26 September 2011 to 31 August 2012 | 1 September 2012 to 30 September 2018 | – | 120,000 | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2013 | 1 September 2013 to 30 September 2018 | – | 120,000 | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2014 | 1 September 2014 to 30 September 2018 | – | 120,000 | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2015 | 1 September 2015 to 30 September 2018 | – | 120,000 | – | – | 120,000 |
| | | 26 September 2011 to 31 August 2016 | 1 September 2016 to 30 September 2018 | – | 120,000 | – | – | 120,000 |
| | | | | 58,475,500 | 600,000 | (682,000) | – | 58,393,500 |
| | | | | 78,975,500 | 5,600,000 | (682,000) | – | 83,893,500 |

Note b: 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 2011 was HK\$4.81.



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

During the six months ended 30 September 2011, 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 2011.

CORPORATE GOVERNANCE STANDARDS

Recognising 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 2011 as described in the "Corporate Governance Report" of the Company's annual report 2010/11.

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 2010/11.

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 2010/11. The full terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link www.skyworth.com.

Executive Committee

An Executive Committee was established by the Board on 5 February 2005. The Executive Committee currently comprises sixteen 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.



BOARD COMMITTEES – *continued*

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.

The Nomination Committee currently comprises four members, including Ms. Chan Wai Kay, Katherine (Chairlady), Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Leung Chi Ching, Frederick. Except that Mr. Leung Chi Ching, Frederick is an executive director of the Company, the other three members are all independent non-executive directors of the Company.

The Remuneration Committee currently comprises four members, including Mr. Li Weibin (Chairman), Mr. So Hon Cheung, Stephen, Ms. Chan Wai Kay, Katherine, and Ms. Lin Wei Ping (appointed on 15 July 2011). Except that Ms. Lin Wei Ping is an executive director of the Company, the other three 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 one meeting to review the composition of the Board. The Remuneration Committee held two meetings to review the service contract of the directors of the Company, review the compensation and incentive package of the senior management of the Group, review the amount of bonus payable to senior management by the Group for the year ended 31 March 2011, and to discuss the work plan of 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 three members, Mr. So Hon Cheung, Stephen (Chairman), Mr. Li Weibin and Ms. Chan Wai Kay, Katherine, 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 three 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 – *continued*

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 Monday, 19 December 2011 to Friday, 23 December 2011, 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 2012, 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 4:30 p.m. on Friday, 16 December 2011.

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. Yang Dongwen, Ms. Lin Wei Ping, Mr. Lu Rongchang, Mr. Leung Chi Ching, Frederick and Mr. Shi Chi as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine as independent non-executive directors.

On behalf of the Board

Zhang Xuebin

*Executive Chairman and
Chief Executive Officer*

24 November 2011