

Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

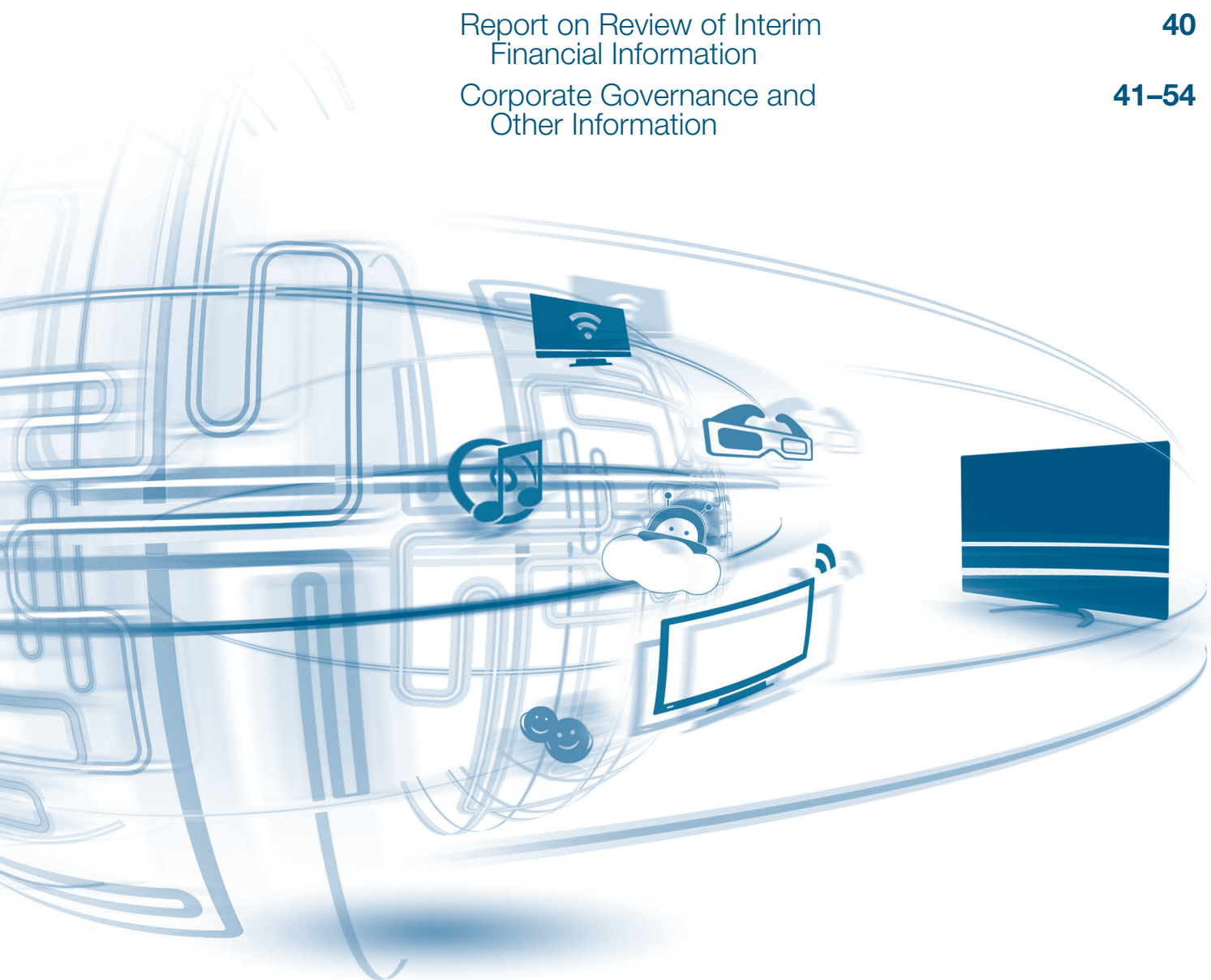
Stock Code : 00751



2012/13 interim report

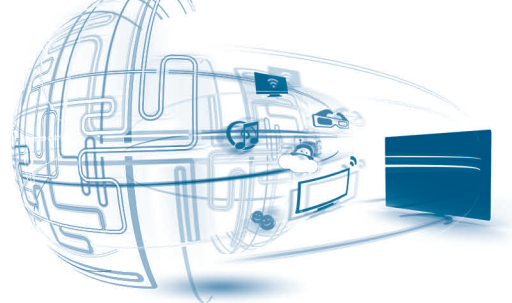
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FINANCIAL HIGHLIGHTS

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



	Six months ended 30 September		
	2012 (unaudited)	2011 (unaudited)	Change
OPERATING RESULTS			
Turnover	16,389	13,074	25.4%
Operating Profit (EBIT)	830	692	19.9%
Profit attributable to equity holders of the Company	569	461	23.4%
FINANCIAL POSITION			
Net cash from operating activities	1,905	350	444.3%
Cash position*	4,055	3,058	32.6%
Bank loans	3,885	4,552	-14.7%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	3,885	4,462	-12.9%
Equity attributable to equity holders of the Company	8,792	7,508	17.1%
Working capital	6,997	6,092	14.9%
Bills receivable	8,020	6,733	19.1%
Trade receivables	4,477	3,451	29.7%
Inventories	4,815	4,541	6.0%
KEY RATIOS			
Gross profit margin (%)	20.1%	21.2%	-1.1pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	6.0%	6.1%	-0.1pp
Profit margin (%)	3.8%	3.7%	0.1pp
Return on equity holders of the Company (ROE) (%)	12.9%	12.3%	0.6pp
Debt to equity (%)**	44.2%	60.6%	-16.4pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	44.2%	59.4%	-15.2pp
Net debt to equity***	Net Cash	Net Cash	N/A
Current ratio (times)	1.4	1.5	6.7%
Trade receivable turnover period (days)****	134	131	2.3%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	132	106	24.5%
Inventories turnover period (days)****	56	70	-20.0%
DATA PER SHARE (HK CENTS)			
Earnings per share — Basic	21.10	17.70	19.2%
Earnings per share — Diluted	20.96	17.18	22.0%
Dividend per share	7.0	5.5	27.3%
Book value per share	325	287	13.2%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	2,705	2,613	3.5%
Market capitalisation	9,928	7,186	38.2%

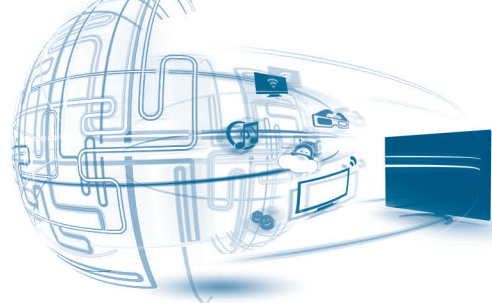
* Cash position refers to bank balances and cash, structured bank deposits and pledged bank deposits

** Bank borrowings/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*)
Mr. Yang Dongwen (*Chief Executive Officer*)
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Lu Rongchang
Mr. Shi Chi

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Ms. Chan Wai Kay, Katherine

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen (*Chairperson*)
Mr. Li Weibin
Ms. Chan Wai Kay, Katherine

Executive Committee

Mr. Zhang Xuebin (*Chairperson*)
Mr. Yang Dongwen
Mr. Leung Chi Ching, Frederick
Ms. Lin Wei Ping
Mr. Lu Rongchang
Mr. Liu Tangzhi
Mr. Wang Dehui
Mr. Li Xiaofang
Mr. Guo Limin
Mr. Hu Zhaohui (resigned on 12 October 2012)
Ms. Dong Ning
Ms. Zhou Tong
Ms. Shao Meifang
Mr. Sun Weizhong

Remuneration Committee

Mr. Li Weibin (*Chairperson*)
Mr. So Hon Cheung, Stephen
Ms. Chan Wai Kay, Katherine
Ms. Lin Wei Ping

Nomination Committee

Ms. Chan Wai Kay, Katherine (*Chairperson*)
Mr. So Hon Cheung, Stephen
Mr. Leung Chi Ching, Frederick
Mr. Li Weibin

COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchants Bank
Citic Bank International Limited
Industrial and Commercial Bank of China
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rooms 1601–04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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
Wan Chai, Hong Kong

SHARE LISTING

The Company's shares are listed on
Hong Kong Exchanges and Clearing Limited
Stock Code: 00751

IMPORTANT INFORMATION FOR 2012/2013

Results Announcement Date

Interim Results: 28 November 2012

Dividend Per Share

Interim dividend: HK7 cents

Dividend Payment Date

Interim dividend: 31 January 2013

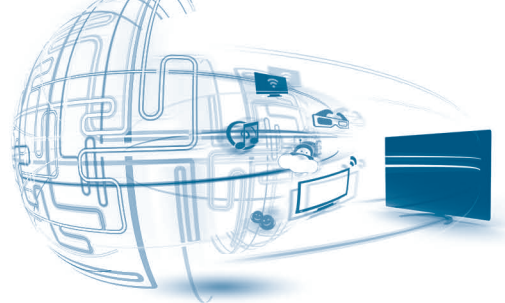
Closing Period of the Register of Members

Interim dividend: From 14 December 2012
to 20 December 2012 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 2012 (the "Period"):

- Turnover increased by 25.4% from that of the same period last year, reached HK\$16,389 million (84.2% from mainland China market).
- Sales of television products and digital set-top boxes accounted for 81.4% and 12.3% of the Group's total turnover, respectively.
- Gross profit achieved HK\$3,301 million, increased by 19.1%; the gross profit margin was 20.1%, decreased by 1.1 percentage points compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Period were HK\$618 million and HK\$569 million, respectively, increased by 27.4% and 23.4%, respectively, on a year-on-year basis.
- The Board has proposed an interim dividend of HK7 cents per share with an option to elect scrip dividend in lieu of cash.

BUSINESS PERFORMANCE REVIEW

Sustainable growth in turnover

The Group's turnover for the Period reached HK\$16,389 million, representing an increase of 25.4% over the same period last year.

"Continuously improving, never stop innovation" is our Group's philosophy to succeed and has successfully transformed our Group's sales mission to customer-orientation. During the period, the Group continued to improve its product development abilities and expand its promotions on its high-end products. It also strengthens the system of sales and after-sales service as well as exploring new sales channel such as e-commerce channel, commercial TV channel and specialty store with successful marketing strategies and a series of promotional activities. From the stimulation of the televisions ("TVs") with three dimensional ("3D") features and light emitting diode backlight ("LED LCD") and Cloud TVs, the Group's turnover recorded a sustainable growth in the mainland China TV market.

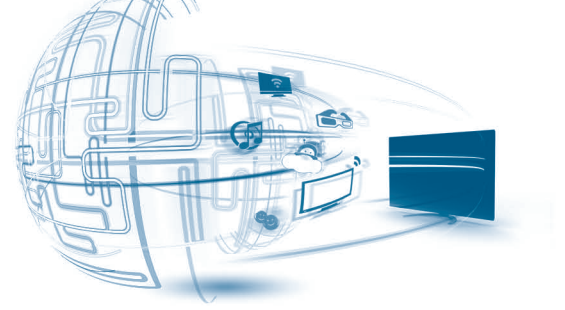
Although the western economy still depressed, the Group concentrated in exploring areas in the emerging markets. The turnover in overseas market roared by 82.3% over the same period last year in particular for the sales of digital set-top boxes and home appliances.

Turnover analysis by geographical and product segments

Mainland China market

During the Period, the mainland China market accounted for 84.2% of the Group's total turnover, recorded a 18.4% growth from HK\$11,654 million for the same period last year to HK\$13,800 million.

The Group's TV business in mainland China accounted for 89.4% of the total domestic turnover. The sales of digital set-top boxes and LCD modules accounted for 6.3% and 1.1%, 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 3.2%.



TV products

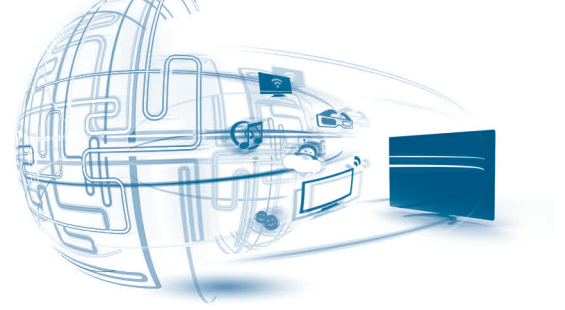
During the Period, the demand for the TV products in mainland China encountered challenges from the China's economic growth slowdown and continuous tight measures in the property sector in the mainland China. The Group's TV products sales in mainland China market grew by 20.4% and reached HK\$12,342 million. According to the TV market survey performed by All View Consulting Co., Ltd. ("AVC"), Skyworth LCD TVs (including CCFL and LED LCD TVs), 3D LCD TVs (including CCFL and LED LCD TVs) and all TV ranked first in terms of cumulative sales volume and amount, representing 16.7%, 26.7% and 15.5%, and 16.2%, 22.2% and 14.7% of total market share, respectively, for twelve consecutive months ended 30 September 2012. AVC is established by China Video Industry Association. It is a market research and marketing consulting company focusing on consumer electronic and home appliance industry. Such survey's data covered 711 major cities within China region and 6,023 retail terminals for all brands of TVs.

The Group designed CooCaa TV and "Cloud" TV series based on the technologies of energy saving and healthiness and have already gained consumers' acceptance. During the Period, over 3.90 million Flat Panel TVs under **Skyworth** brand were sold in mainland China, of which 3.62 million were LED LCD TVs, rose by 133.5% and accounted for 92.6% of the Group's total TV sales in mainland China. Included in the LED LCD TVs, volume of 1.17 million refers to 3D LED LCD TVs representing 29.9% of the Group's total TV sales in mainland China market. While the sales volume of Cloud TVs has reached at 0.51 million, represented 13.0% of the Group's total TV sales in mainland China market.

During the period, the Group devoted more resources in product innovations and research and development ("R&D") in complied with our high-end TV products strategy, and endeavored to cater for our consumer expectations. The Group published a new product of 4K2K Ultra High Definition ("UHD") LCD TVs and different display sizes of UHD Cloud TVs in August 2012. This indicates that the TVs under **Skyworth** brand would attract more consumption through product upgrade and replacement and enhance the demand for super-large size LCD TVs through technology advancement in the coming half-year period.

Being the technology advancement and the product innovations, the TV products of the Group has won awards that could strengthen brand awareness and boost up the turnover of TV products in the mainland China. During the Period, other key awards contributed to our brand and sales improvement of TV products including:

- In the "2012 Seventh China Digital TV Annual Festival", the Group was granted "2012 Outstanding Contribution Award" in terms of Integrated unit, Technological unit and Product type unit. SkyCloud technology won the "2012 Technology Innovation Award" and E800A also won the "2012 Product Innovation Award".
- In the "2012 Eighth Summit Forum of China Digital TV Industry", E800A won the "2012 China's Top Ten Flat Panel TV Award".
- Shenzhen Skyworth-RGB Electronics Co., Ltd was honored as an "Advanced enterprise in after-sale service of consumption electronics (color TV industry)" under China Video Industry Association.
- In the latest "2012 Chinese Customer Satisfaction Handbook", the Group was granted "5-star enterprise for service quality" in the color TV industry.



Digital set-top boxes

The digital set-top boxes turnover in mainland China market recorded HK\$871 million, representing a decrease of 6.6% or HK\$62 million, compared with HK\$933 million recorded in the same period of previous year.

Realizing that the deferred demand for the digital set-top boxes in major cities in mainland China market and keen price competition among the competitors, the turnover of digital set-top boxes was dropped. However, being the market leader, the Group has won the bid for “No Village Left” program of live broadcast satellite launched by the State Administration of Radio, Film and Television in 2012. Such bid covers four provinces, namely Jilin, Shaanxi, Xinjiang and Fujian. Following the development of “Cloud TV”, the Group introduced the “i.Kan” new product series. The new product is an Android based digital HD TV set-top box with the aim to meet the customer expectations, e.g. 3D HD TV program, HD decoding, dual interactive business, family multimedia function, cloud computing etc. This would benefit the turnover of digital set-top boxes in the second half-year period.

LCD Modules

LCD modules turnover in mainland China recorded HK\$146 million, representing a decrease of HK\$38 million or 20.7%.

During the Period, the LCD modules focused on exploring in overseas markets and engaged in the Group’s internal operation which slightly affected its turnover to outsiders in the mainland China. But the sales of the small-size LCD modules maintained a steady growth. Following the Group’s decision to cease all productions of cold cathode fluorescent lamp (“CCFL”) LCD, the LCD modules business unit is now under the production of low-cost direct LED Backlight modules and Edge LED Backlight modules as a replacement of the production of CCFL modules. Moreover, the LCD modules business unit is in progress negotiating with new potential customers and expecting to launch for production in a short period of time. The turnover to outsiders of LCD Modules would expect to be improved in the second half-year period.

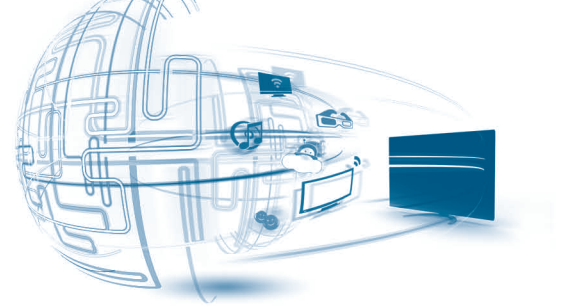
Overseas markets

The turnover generated from overseas markets accounted for HK\$2,589 million, or 15.8% of the Group’s total turnover for the Period. Compared with HK\$1,420 million turnover recorded in the same period of previous year, representing an increase of 82.3%.

TV products

The turnover of overseas TV products for the Period was HK\$996 million, or 38.5% of the total overseas turnover, grew by 34.2%. Sales volume slightly decreased by 0.9% to 1.12 million sets, of which cathode ray tube (“CRT”) TVs decreased to 0.24 million sets, equivalent to 68.0% and flat panel TV sharply increased by 131.6% to 0.88 million sets.

During the Period, through implementing a series of promotional activities, TVs with **Skyworth** brand name have gained more acceptances from overseas customers. The Group always innovates and optimises its product structure and combinations in order to issue flexibility product mix for meeting customers’ expectation. The Group also incorporated sales offices in emerging markets in India, South-east Asia and Australia etc. for our own brand distribution. The interim turnover was encouraging in overseas markets.



In addition, the key factors of the increase in the turnover of overseas TV products include:

- strengthen the development of the sales network in the overseas market, closely co-operative with the agents of large chain stores and provide excellent after-sale services in order to maintain the product price competitiveness and gross profit margin;
- seize the demand for the digital conversion and introduce high-end products in the emerging markets; and
- creates synergy effects through successful implementation of strategic cooperation that realise the real growth of the Group's operation.

Digital set-top boxes

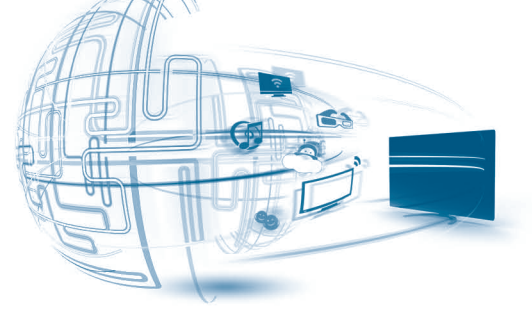
Overseas digital set-top boxes turnover for the Period increased by 89.2% to HK\$1,139 million from the same period last year.

Although the worldwide economic situation had been worsening persistently, digital set-top boxes turnover in Asia recorded a substantial increase of 134.4%. 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 new markets expansion in India, induced drastic digital set-top box sales in the Asia market. The digital set-top boxes business will continue to seize the opportunity of large-scale digital conversion in South-East Asia and South America and actively exploit overseas markets in Eastern Europe, Russia and Africa so as to consolidate its position in the overseas market.

Geographical distribution

During the Period, Asia, America and Europe were the Group's major overseas markets, with aggregation to 88% in overseas turnover. The turnover from Asia market rose by 11 percentage points due to emerging markets expansion. The remaining 12% of overseas turnover belongs to Middle East, Australia and New Zealand and Africa. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2012 (%)	2011 (%)
Asia (including Japan, Korea, Vietnam, etc.)	45	34
America	22	25
Europe	21	23
Middle East	6	6
Africa	5	9
Australia and New Zealand	1	3
	100	100



Gross profit margin

For the Period, the overall gross profit margin of the Group dropped 1.1 percentage points from 21.2% to 20.1% in comparison to the same period last year.

As the market demand for the high-end products is high, the production cost putting in the high-end product continuously increased. In addition, the Group plans to cease production of CCFL LCD TVs before the year-end and continue to dispose the existing inventories, which adversely affected the gross profit margin of TV products. With the subsidy to energy conservative products, demands for low gross profit margin and smaller sizes models increased substantially in third-fourth tiers market, which constitutes one of the major reasons for the declining gross profit margin.

On the other hand, TV and other business units of the Group actively emerged in the overseas market. Price determination has to be adjusted in order to enhance the market share in the overseas market which led a drop to the overall gross profit margin.

In the second half year period, the Group would cease to produce CCFL LCD TVs with low gross profit margin and accelerate shifting to middle to high ended products. It would expect the sales volume of LED LCD TVs and 3D TVs which have higher gross profit to be boost up. This would led to an increase in the average selling price and gross profit margin as well as the Group's profit.

Selling and distribution expenses

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, sales and marketing related salaries, maintenance and transportation expenses. During the Period, S&D expenses rose 15.2% or HK\$276 million from the same period last year to HK\$2,089 million. The ratio of S&D expense to turnover decreased 1.2 percentage points from 13.9% to 12.7%.

During the Period, in line with a series of new products, the Group launched various promotional projects. The Group also organised technical presentations, media advertisement and other activities to reinforce our brand influence that increased the advertising expenses by 22.3%. These corresponding selling costs increased as a result of the increase in the turnover including exhibition and flagship store expenditures, promotional manpower expenses, and sales performance bonus.

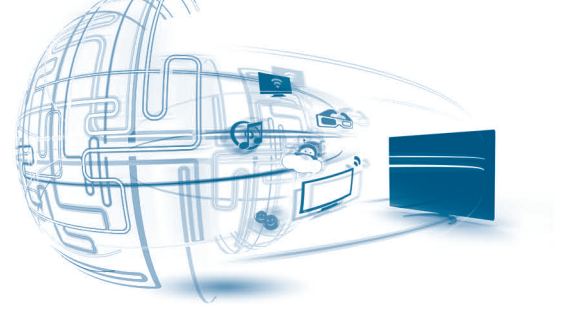
Albeit an increase to S&D expenses, the Group endeavored to improve product reliability continuously, constraining warranty and maintenance costs to enhance brand and Group's reputation that maximised stakeholder interests in the long run.

General and administrative expenses

The Group's general and administrative ("G&A") expenses for the Period rose by HK\$150 million or 33.0% to HK\$604 million. The G&A expenses to turnover ratio for the Period slightly increased by 0.2 percentage points to 3.7%.

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 and technology development during the Period, that triggered an increase in R&D expenses and technology development by HK\$60 million or 63.5% and HK\$24 million or 103.4% respectively. In addition, the staff salary and welfare increased by HK\$13 million, or 8.6% 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.

Management of the Group believes to maintain a high standard of cost control to G&A expenses were for the benefits of the Group. Management regularly reviewed and updated controls and procedures to ensure that cost objective can be achieved.



Inventory control

The net carrying value of the Group's inventories reached HK\$4,815 million as at the Period ended, representing an increase of HK\$1,664 million or 52.8% as at 31 March 2012 and an increase of HK\$274 million or 6.0% as at 30 September 2011. The increment was mainly due to an expanded production scales and changes in raw material components structure resulting to the increase in the total quantities and the unit cost of overall inventory.

Having higher market demand in the middle to high-ended TV products, the corresponding raw materials and supplements would be comparably higher that pushed up the carrying value of the overall inventory. In addition, realignment to raw material reserves was made 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 energy saving series also led to higher inventory level.

As at the Period ended, the inventory turnover days for raw materials and finished goods were 19 days and 34 days respectively. The inventory turnover shortened in comparison to same period ended last year, reflecting the effectiveness on inventory control and speeding up to the products transformation.

Trade receivables and bills receivable

As at 30 September 2012, the Group had a total of HK\$12,497 million trade receivables and bills receivable, increased by HK\$874 million, or 7.5% compared to that as at 31 March 2012. Trade receivables increased by HK\$1,972 million or 78.7% to HK\$4,477 million, whilst bills receivable dropped by HK\$1,098 million or 12.0% to HK\$8,020 million. Such increase is coherent with the seasonal peak in September greeting for the National Day in mainland China.

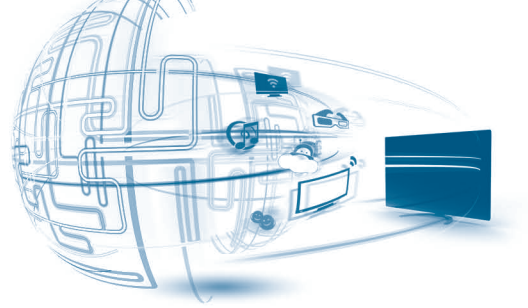
The tightening of credit limit among domestic banks caused a decline in bills receivable and imposed pressure on trade receivables. However, with flexible and reliable characteristics of bills receivable, the Group will continue to take this advantage to increase the proportion of bills receivable, not only accelerated the recovery of cash, but also avoided the risk of bad and doubtful debts.

Comparing to the same period ended last year, both of trade receivables and bills receivable increased by a total of HK\$2,313 million or 22.7%. Trade receivables increased by HK\$1,026 million, whilst bills receivable increased by HK\$1,287 million. This is mainly resulted from the increase in the turnover during the period and the extension of the credit period to new customers.

Trade payables and bills payable

As at 30 September 2012, the Group's trade payables and bills payable amounted to HK\$7,221 million and HK\$1,430 million, respectively. As compared with that as at 31 March 2012, the trade payables increased by HK\$3,098 million or 75.1%; whilst the bills payable increased by HK\$489 million or 52.0%. At the Period ended, trade payable and bills payable increased primarily from massive procurements by TV, digital set-top boxes and home appliances divisions for meeting demands in peak season.

As compared with the amounts as at 30 September 2011, the trade payables and bills payable increased by HK\$2,870 million and HK\$639 million, respectively. This was mainly resulted from the increase in the purchase and the bills endorsed to suppliers by 75.2% arising from the increase in the turnover.



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\$178 million or 2.6% from 31 March 2012. Bank balances and cash amounted to HK\$3,359 million, representing an increase of HK\$1,195 million, compared with that as at 31 March 2012, an increase of HK\$1,005 million from the same period last year; whilst the pledged bank deposits and structured bank deposit amounted to HK\$579 million and HK\$117 million as at 30 September 2012, respectively, representing a decrease of HK\$51 million and HK\$107 million, respectively, compared with that as at 31 March 2012. The decrease in pledged bank deposits at the Period end was mainly due to the foreign currency forward contracts with financial institutions as disclosed in note 17 of the interim financial report have been matured so that the corresponding cash released during the period.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$579 million bank deposits and 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\$138 million (as at 31 March 2012: HK\$138 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\$3,885 million. Equity attributable to owners of the Company amounted to HK\$8,792 million (as at 31 March 2012: HK\$8,469 million); debt to equity ratio was 44.2% (as at 31 March 2012: 44.8%) 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.

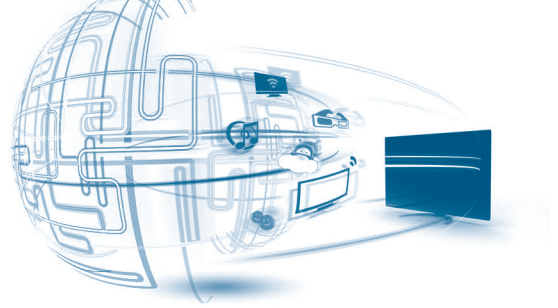
TREASURY POLICY

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 utilisation of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Period, the Group had recognised HK\$17 million net foreign exchange losses due from US dollars loans associated with foreign currency forward contracts and general operation with reference to large fluctuations in RMB.

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 remained several financial arrangements with certain banks, such as 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 17 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Period, an addition of HK\$282 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, Inner Mongolia and Shenzhen 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\$97 million on machinery in production line setups and other equipment; and has planned to commit HK\$693 million on plant, logistic centers and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.



Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK\$8 million in technological research and development through direct investments or available-for-sale investments in TV industries, to constitute supports for more integrated TV products development. To sustain further expansion and development of diversified businesses, HK\$185 million was invested for establishment of new growth points to widen consumer choices of quality products.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Period. Guarantee for bank borrowing to one of its jointly controlled entities amounting to HK\$25 million (at 31 March 2012: HK\$25 million) are granted and disclosed in note 27 of the interim financial report.

Certain patent disputes 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 condensed consolidated financial statements of the Group.

HUMAN RESOURCES CAPITAL

As at 30 September 2012, the Group had over 33,000 employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 41 branches and 204 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 and Other Information section.

OUTLOOK

The operating environment in TVs industry would expect to be challenging from the economy downturn in US and Eurozone and the China's economic growth slowdown in 2012. The Group would grasp the opportunity from PRC Government's policy in encouraging internal demands to optimise our product combinations, launch flexibility product mix, actively promote 3D LED LCD TVs, Cloud TVs and Smart TVs to third and fourth tiers markets as well as rural areas market in mainland China. These could boost up our sales volume of TV products. Hence, the Group has changed its annual sales volume target of TV products at 8.1 million units (including 4.2 million units of 3D LED LCD TVs and Cloud TVs).

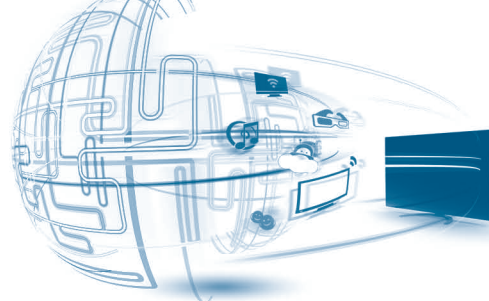
For the overseas market, the Group continued to operating with cautious style policy. Not only keep on exploring the growth in the emerging markets, but also strengthen the market share in Europe, Middle East, Russia and Africa etc. in order to consolidate the position in the overseas market. In addition, the Group would accelerate the penetration of middle-high end products to increase its sales proportion in the overseas market. Hence, the Group is confident to maintain its annual sales volume at 2.4 million units.

The Group will maintain its strategy of developing other existing business units. It is encouraging to note that certain of these business units are heading toward the right direction and expecting to contribute reasonable results to the Group.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

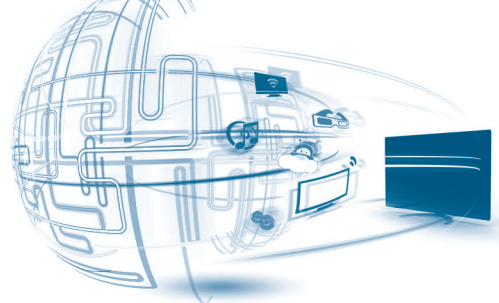


	Notes	Six months ended 30 September	
		2012 (unaudited)	2011 (unaudited)
Turnover	3	16,389	13,074
Cost of sales		(13,088)	(10,303)
Gross profit		3,301	2,771
Other income		268	199
Other gains and losses	5	(32)	(15)
Selling and distribution expenses		(2,089)	(1,813)
General and administrative expenses		(604)	(454)
Finance costs	6	(67)	(75)
Share of result of an associate		1	–
Share of results of jointly controlled entities		(4)	14
Profit before taxation		774	627
Income tax expense	7	(156)	(142)
Profit for the period	8	618	485
Other comprehensive (expense) income			
Exchange differences arising on translation		–	189
Fair value loss on available-for-sale financial assets		(17)	(90)
Reclassification adjustment upon impairment of available-for-sale financial assets		–	79
Fair value gain on cash flow hedges	17(4)	1	1
Loss on cash flow hedges reclassified to profit and loss	17(4)	6	–
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		–	(8)
Other comprehensive (expense) income for the period		(10)	171
Total comprehensive income for the period		608	656
Profit for the period attributable to:			
Owners of the Company		569	461
Non-controlling interests		49	24
		618	485
Total comprehensive income for the period attributable to:			
Owners of the Company		559	626
Non-controlling interests		49	30
		608	656
Earnings per share (expressed in HK cents)			
Basic	9	21.10	17.70
Diluted	9	20.96	17.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

Amounts expressed in millions of Hong Kong dollars

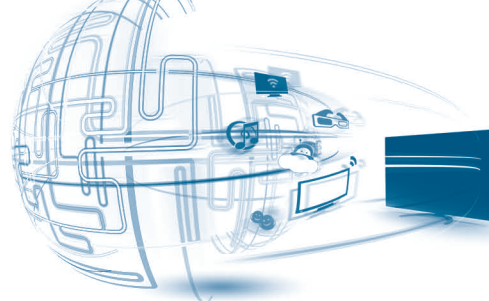


	Notes	As at 30 September 2012 (unaudited)	As at 31 March 2012 (audited)
Non-current Assets			
Property, plant and equipment	11	2,563	2,328
Investment properties		11	11
Prepaid lease payments on land use rights		425	416
Interest in an associate		7	6
Interests in jointly controlled entities		224	218
Other receivable	12	106	102
Available-for-sale investments	13	133	143
Deposit for acquisition of property, plant and equipment		45	–
Deferred tax assets		63	60
		3,577	3,284
Current Assets			
Inventories	14	4,815	3,151
Stock of properties		203	40
Prepaid lease payments on land use rights		10	10
Trade and other receivables, deposits and prepayments	15	6,000	3,512
Bills receivable	16	8,020	9,118
Derivative financial instruments	17	1	3
Amounts due from jointly controlled entities		43	52
Amounts due from non-controlling shareholders of a subsidiary		–	19
Held for trading investments		2	3
Tax recoverable		15	14
Structured bank deposits	18	117	224
Pledged bank deposits		579	630
Bank balances and cash		3,359	2,164
		23,164	18,940
Current Liabilities			
Trade and other payables	19	10,705	7,107
Bills payable	20	1,430	941
Dividend payable	10	271	–
Obligations arising from put options written to non-controlling interests	21	176	160
Derivative financial instruments	17	20	20
Provision for warranty		120	101
Amounts due to jointly controlled entities		4	4
Amount due to an associate		43	–
Tax liabilities		126	198
Bank borrowings	22	3,230	3,568
Deferred income		42	22
		16,167	12,121
Net Current Assets		6,997	6,819
Total Assets less Current Liabilities		10,574	10,103

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

AS AT 30 SEPTEMBER 2012

Amounts expressed in millions of Hong Kong dollars

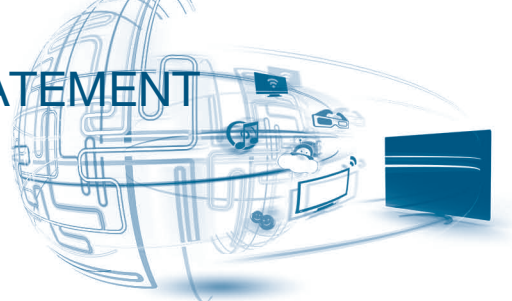


	<i>Notes</i>	As at 30 September 2012 (unaudited)	As at 31 March 2012 (audited)
Non-current Liabilities			
Obligations arising from put options written to non-controlling interests	21	203	202
Provision for warranty		38	32
Bank borrowings	22	655	715
Deferred income		484	314
Deferred tax liabilities		173	172
		1,553	1,435
NET ASSETS		9,021	8,668
Capital and Reserves			
Share capital	23	271	269
Share premium		2,096	2,085
Share option reserve		140	144
Investment revaluation reserve		(17)	–
Surplus account		38	38
Capital reserve		400	400
Exchange reserve		998	998
Hedging reserve		(13)	(20)
Accumulated profits		4,879	4,555
Equity attributable to owners of the Company		8,792	8,469
Non-controlling interests		229	199
		9,021	8,668

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Amounts expressed in millions of Hong Kong dollars

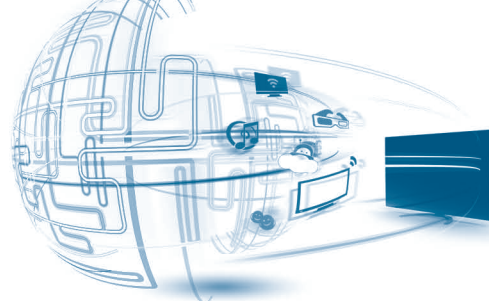


	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Surplus account	Capital reserve	Exchange reserve	Hedging reserve	Accumulated profits	Total			
Balance as at 1 April 2011 (audited)	259	1,863	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 loss on available-for-sale financial assets	-	-	-	(90)	-	-	-	-	-	(90)	-	(90)	
Reclassification adjustment upon impairment of available-for-sale financial assets	-	-	-	79	-	-	-	-	-	79	-	79	
Fair value gain on cash flow hedges	-	-	-	-	-	-	-	1	-	1	-	1	
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	-	-	-	-	-	-	-	-	-	-	(16)	(16)	
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	6	6	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11)	(11)	
Balance as at 30 September 2011 (unaudited)	261	1,884	117	-	38	319	914	(18)	3,993	7,508	184	7,692	
Balance as at 1 April 2012 (audited)	269	2,085	144	-	38	400	998	(20)	4,555	8,469	199	8,668	
Profit for the period	-	-	-	-	-	-	-	-	569	569	49	618	
Fair value loss on available-for-sale financial assets	-	-	-	(17)	-	-	-	-	-	(17)	-	(17)	
Fair value gain on cash flow hedges	-	-	-	-	-	-	-	1	-	1	-	1	
Loss on cash flow hedges reclassified to profit and loss	-	-	-	-	-	-	-	6	-	6	-	6	
Total comprehensive (expense) income for the period	-	-	-	(17)	-	-	-	7	569	559	49	608	
Recognition of equity-settled share-based payments	-	-	25	-	-	-	-	-	-	25	-	25	
Issue of shares under share option schemes	2	11	(3)	-	-	-	-	-	-	10	-	10	
Forfeiture of share options	-	-	(26)	-	-	-	-	-	26	-	-	-	
Dividend recognised as distribution (note 10)	-	-	-	-	-	-	-	-	(271)	(271)	-	(271)	
Adjustment arising from obligations from put options written to non-controlling interests (note 21)	-	-	-	-	-	-	-	-	-	-	(16)	(16)	
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	4	4	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7)	(7)	
Balance as at 30 September 2012 (unaudited)	271	2,096	140	(17)	38	400	998	(13)	4,879	8,792	229	9,021	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

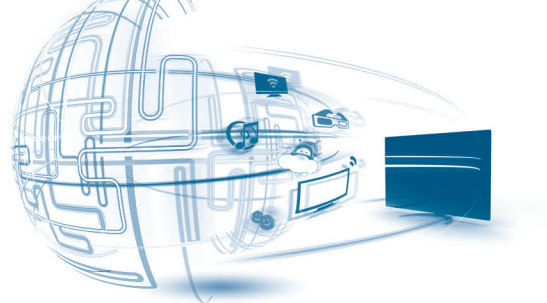
Amounts expressed in millions of Hong Kong dollars



	Six months ended 30 September	
	2012 (unaudited)	2011 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	1,905	350
NET CASH USED IN INVESTING ACTIVITIES		
Dividend received	5	15
Interest received	27	27
Purchase of property, plant and equipment	(453)	(362)
Proceeds on disposal of available-for-sales investments	1	–
Proceeds on disposal of property, plant and equipment	11	19
Prepaid lease payments on land use rights	–	(87)
Investment in an associate	–	(7)
Investment in a jointly controlled entity	(10)	–
Investments in available-for-sales investments	(8)	(119)
Placement of pledged bank deposits	(73)	(109)
Withdrawal of pledged bank deposits	124	–
Placement of structured bank deposits	(99)	–
Withdrawal of structured bank deposits	206	–
	(269)	(623)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Dividends paid	(17)	(21)
Interest paid	(53)	(64)
Issue of shares	10	18
Contributions from non-controlling interests	4	6
New bank borrowings raised	6,360	6,890
Repayment of bank borrowings	(6,393)	(6,065)
Repayment of borrowings from bills discounted with recourse	(365)	(704)
Cash paid on settlement of cross-currency interest rate swap	(6)	–
Proceeds on disposal of partial interests in subsidiaries without losing control	19	–
	(441)	60
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,195	(213)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	2,164	2,524
Effect of foreign exchange rate changes	–	43
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER, represented by bank balances and cash	3,359	2,354

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012



1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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”).

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 key estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2012.

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 2012.

2. PRINCIPAL ACCOUNTING POLICIES

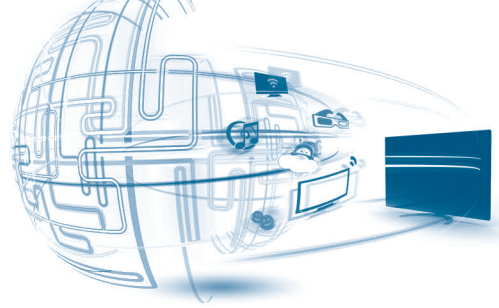
The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



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:

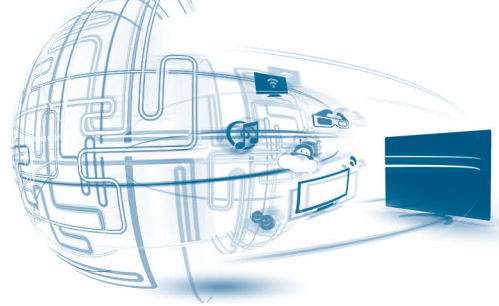
	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Sales of TV products	13,338	10,992
Sales of digital set-top boxes	2,010	1,535
Processing income and sales of LCD modules	215	187
Sales of other electronic products	790	323
Property rental income	36	37
	16,389	13,074

4. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services. 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 reportable and operating 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 (including 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
3. Digital set-top boxes — design, manufacture and sale of digital set-top boxes
4. LCD modules — design, manufacture, sale and processing 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

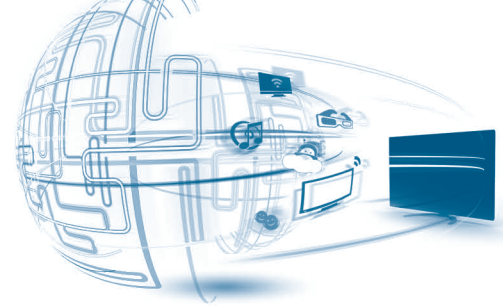


4. SEGMENT INFORMATION — *continued*

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

For the six months ended 30 September 2012

	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	12,159	1,179	2,010	215	790	36	16,389	-	16,389
Inter-segment revenue	172	-	-	413	462	5	1,052	(1,052)	-
Total segment revenue	12,331	1,179	2,010	628	1,252	41	17,441	(1,052)	16,389
Results									
Segment results	670	1	216	69	(22)	20	954	-	954
Interest income									28
Unallocated corporate expenses less income									(138)
Finance costs									(67)
Share of result of an associate									1
Share of results of jointly controlled entities									(4)
Consolidated profit before taxation of the Group									774



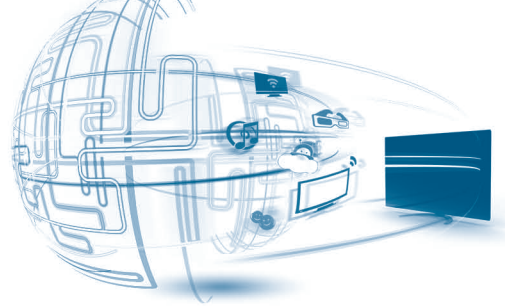
4. SEGMENT INFORMATION – continued

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

Segment results represent the profit earned by (loss from) each segment without allocation of interest income, corporate expenses less income, finance costs, share of results of an associate and jointly controlled entities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment revenue is charged at prevailing market rates.

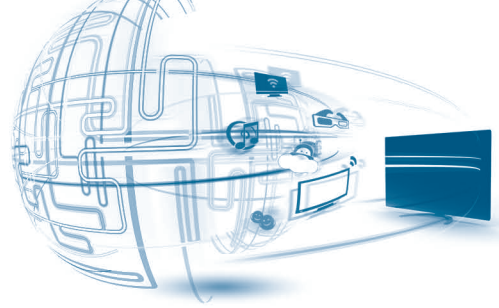


5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Other gains and losses comprise:		
Exchange (loss) gains, net	(17)	76
Impairment loss recognised in respect of available-for-sale investments (<i>note 13</i>)	–	(79)
Loss from changes in fair value of financial assets classified as held for trading	(1)	(2)
Loss from changes in fair value of derivative financial instruments (<i>note 17</i>)	(8)	(2)
Loss on disposal of property, plant and equipment	(6)	(8)
	(32)	(15)

6. FINANCE COSTS

	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Finance costs comprise:		
Interest on bank borrowings wholly repayable within five years	56	65
Imputed interest expenses on obligations arising from put options written to non-controlling interests (<i>note 21</i>)	11	10
	67	75



7. INCOME TAX EXPENSE

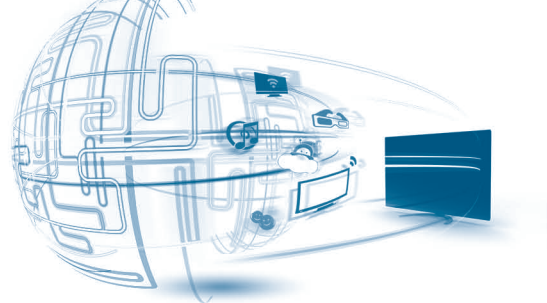
	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Income tax expense comprise:		
PRC income tax		
Current period	158	129
Underprovision in prior periods	–	1
	158	130
Deferred taxation	(2)	12
	156	142

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 both periods.

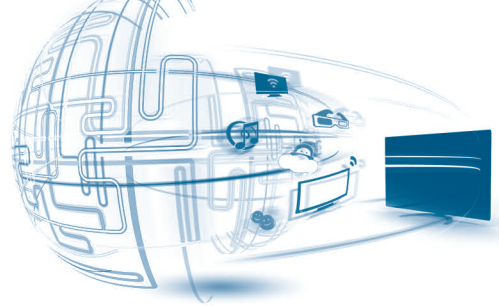
Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007, respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; 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 plus 3 tax holiday” (two years’ exemption followed by three years of half deduction) granted to them under the tax law and implementation rules.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to enterprise income tax 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\$1 million (for the six months ended 30 September 2011: HK\$15 million) in respect of the additional undistributed earnings of subsidiaries, jointly controlled entities and an associate has been recognised in profit or loss for the period. HK\$1 million of previously provided (for the six months ended 30 September 2011: HK\$1 million) 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	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of HK\$50 million (for the six months ended 30 September 2011: HK\$34 million)	13,071	10,287
Depreciation of		
– property, plant and equipment	142	106
– investment properties	–	2
Dividend income from		
– listed investments	–	(4)
– unlisted investments	(5)	(11)
Government grants	(82)	(44)
Impairment loss on trade receivables	23	12
Interest income:		
Interest income from bank deposits	(23)	(28)
Imputed interest income from		
– trade receivables from settlement on instalments	(1)	(2)
– other receivable (<i>note 12</i>)	(4)	(3)
	(28)	(33)
Release of prepaid lease payments on land use rights	5	4
Rental income from leasing of properties less related outgoings of HK\$17 million (for the six months ended 30 September 2011: HK\$16 million)	(19)	(21)
Staff costs, including directors' emoluments	1,334	1,044



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	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	569	461
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,696,973,195	2,604,055,897
Effect of dilutive potential ordinary shares in respect of share options outstanding	18,250,057	79,144,082
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,715,223,252	2,683,199,979

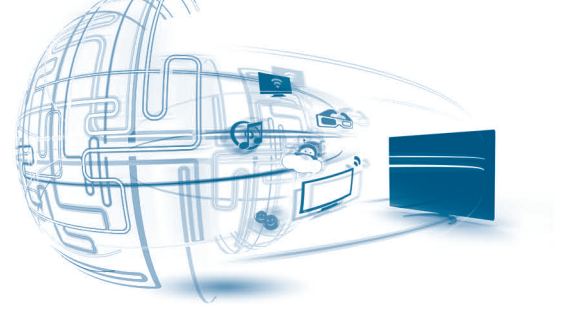
The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both periods presented.

10. DIVIDENDS

Subsequent to 30 September 2012, a dividend of HK10 cents per share, amounting to HK\$271 million in total, was distributed to shareholders on 17 October 2012 as the final dividend for the year ended 31 March 2012. Such amount was recognised as distribution and as dividend payable on the condensed consolidated statement of financial position when such declaration of dividend was approved by the shareholders in the Company's Annual General Meeting held on 28 August 2012. Of such final dividend, an aggregate amount of HK\$185 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 2011, a dividend of HK9 cents per share, amounting to HK\$235 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2011. Of such final dividend, an aggregate of HK\$114 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 HK7 cents per share for the year ending 31 March 2013, amounting to HK\$194 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 14 December 2012 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 2012, the Group had incurred approximately HK\$282 million (for the six months ended 30 September 2011: approximately HK\$158 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\$111 million (for the six months ended 30 September 2011: approximately HK\$204 million) on the acquisition of other property, plant and equipment for business operations and expansion.

12. OTHER RECEIVABLE

On 17 January 2008, the Group entered into a contract to invest US\$14 million (approximately HK\$109 million) for non-controlling equity 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 US\$14 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/the major shareholder to require the Group to sell the Group’s interest in the unlisted equity securities at the original consideration of US\$14 million after a 5 year lock-up period from the date of capital injection on 1 June 2008.

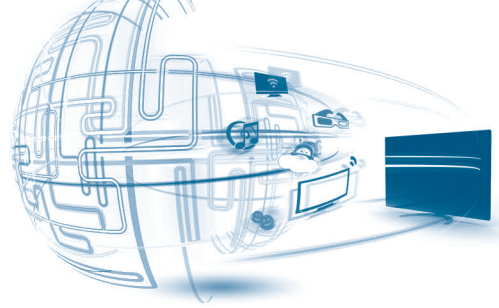
At the end of the reporting period, the consideration paid has not been recognised as an investment of the Group. The major shareholder has retained control and significant risks and rewards of ownership over the unlisted equity securities. Therefore, the consideration paid by the Group is classified as other receivable which is interest-free and is considered to be repayable on demand after the 5 year lock-up period on 31 May 2013. The Group does not expect such options to be exercised within one year from the end of the reporting period, accordingly, such receivable is classified as a non-current asset.

The receivable had been recorded at initial recognition at its present value of HK\$80 million with a corresponding charge of HK\$29 million recognised in profit or loss for the year ended 31 March 2009. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable was 6.40% per annum. During the current period, imputed interest income of HK\$4 million (for the six months ended 30 September 2011: HK\$3 million) was recognised in profit or loss.

13. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30 September 2012, the Group invested HK\$8 million (for the six months period ended 30 September 2011: HK\$119 million in certain listed equity securities in Hong Kong) in certain unlisted equity securities in overseas.

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 no impairment loss (for the six months ended 30 September 2011: HK\$79 million) is required to be made.



14. INVENTORIES

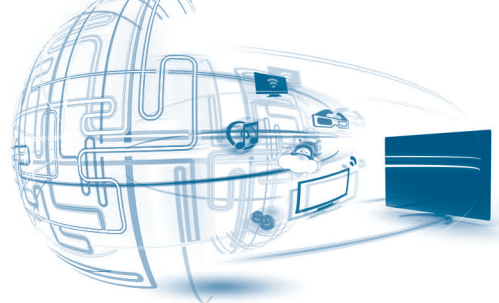
	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Raw materials	1,654	889
Work in progress	315	237
Finished goods	2,846	2,025
	4,815	3,151

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales of TV products, LCD modules and other electronic products 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 made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

For sales of digital set-top boxes, the credit terms are normally ranging from 90 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.



15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — *continued*

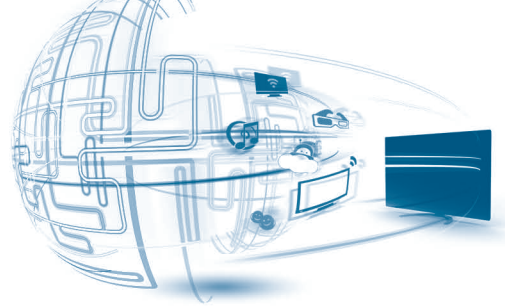
The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period, and other receivables, deposits and prepayment:

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Within 30 days	2,743	1,077
31 to 60 days	308	265
61 to 90 days	144	224
91 to 365 days	935	637
Over 365 days	347	302
Trade receivables	4,477	2,505
Deposits for land use rights of stock of properties	303	–
Purchase deposits paid for materials	342	231
Value-added-tax (“VAT”) receivables	289	360
Other deposits paid, prepayments and other receivables	589	416
	6,000	3,512

16. BILLS RECEIVABLE

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

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Within 30 days	1,194	1,354
31 to 60 days	683	1,224
61 to 90 days	638	2,152
91 days or over	4,140	2,970
Bills endorsed to suppliers with recourse	1,365	1,049
Bills discounted to banks with recourse	–	369
	8,020	9,118



16. BILLS RECEIVABLE — *continued*

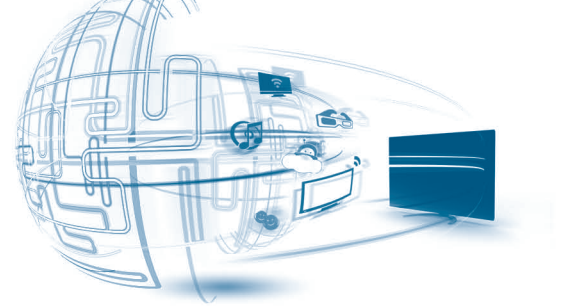
The carrying values of bills endorsed to suppliers and bills discounted to banks with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group is still exposed to credit risk on these receivables at the end of the reporting period. Accordingly, the 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 to banks with recourse are less than six months from the end of the reporting period.

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
— Foreign currency forward contracts (<i>Note 1</i>)	1	3
— Performance swap contracts (<i>Note 2</i>)	(7)	—
Derivative under hedge accounting:		
— Cross-currency interest rate swap (<i>Note 4</i>)	(13)	(20)
	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
(Loss) gain from changes in fair value of derivative financial instruments comprise:		
— Foreign currency forward contracts (<i>Note 1</i>)	(2)	10
— Performance swap contracts (<i>Note 2</i>)	(6)	(10)
— Target redemption forward contract (<i>Note 3</i>)	—	(2)
	(8)	(2)



17. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

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

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Assets		
Foreign currency forward contracts	1	3
Liabilities		
Performance swap contracts	(7)	–
Cross-currency interest rate swap	(13)	(20)
	(20)	(20)

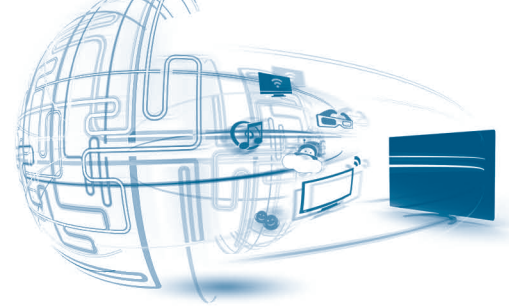
Note 1: Foreign currency forward contracts

In prior years, the Group had 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. 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 31 March 2012, US\$16 million loans (equivalent to HK\$123 million) and RMB100 million fixed deposits (equivalent to HK\$123 million) were included in other bank loans and pledged bank deposits as disclosed in the condensed consolidated financial statements. Such arrangements are expired during the period.

During the period, no material interest income on the fixed deposits, exchange gain or loss, interest expenses on US\$ loans are included in profit or loss. During the six months ended 30 September 2011, related interest income on the fixed deposits of HK\$1 million and exchange gain on US\$ loans of HK\$1 million are included in profit or loss, while the interest expenses on US\$ loans of HK\$2 million are included in finance cost.

Other than the arrangements as described in 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.



17. 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 2012		
US\$9,580,000	From October 2012 to December 2012	Buy US\$/sell RMB at 6.3900 to 6.4750
As at 31 March 2012		
US\$15,380,075	From April 2012 to June 2012	Buy US\$/sell RMB at 6.4890
US\$9,580,000	From October 2012 to December 2012	Buy US\$/sell RMB at 6.3900 to 6.4750

As at 30 September 2012, the fair value of the Group's foreign currency forward contracts is estimated to be an asset of HK\$1 million (as at 31 March 2012: HK\$3 million). These amounts are determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the period, loss from changes in fair value of the foreign currency forward contracts amounting to HK\$2 million (for the six months ended 30 September 2011: gain from changes in fair value of HK\$10 million) has been recognised in profit or loss.

Note 2: Performance swap contracts

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 partly in US\$.

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

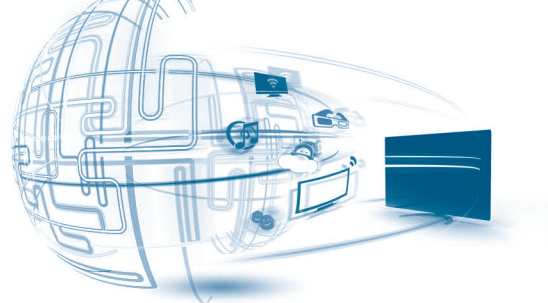
- the interest rate swap with notional amount of US\$30,000,000 has interest payments in US\$ at London Interbank Offered Rate ("LIBOR") per annum capped at 0.5% per annum and floating interest receipts in US\$ at 1% plus LIBOR per annum for periods up to March 2013; and
- the target redemption forward 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") ranging from buy US\$/sell RMB at 6.250 to 6.450, there would have no settlements.

The contract would be knocked-out and terminated when there are no settlements for an aggregate of twelve 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 1 and the Strike Rates times a notional amount of US\$10 million, settled in US\$ equivalent. There are no knock-out and termination features for losses.



17. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

Note 2: Performance swap contracts — *continued*

Loss from change in fair value of HK\$6 million in respect of this contract has been recognised in profit or loss for the six months ended 30 September 2012.

During the six months ended 30 September 2011, loss from change in fair value of HK\$10 million in respect of another performance swap contract had been recognised in profit or loss. This contract was knocked-out and terminated in prior year.

Note 3: Target redemption forward contract

During the six months ended 30 September 2011, the Group entered into a two-year target redemption forward contract with a bank, of which the purpose was to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US\$.

The target redemption forward contract comprised non-deliverable settlement on a monthly basis and measured at 24 different expiry dates, save for the event leading to the knock-out and termination of the contract as discussed below.

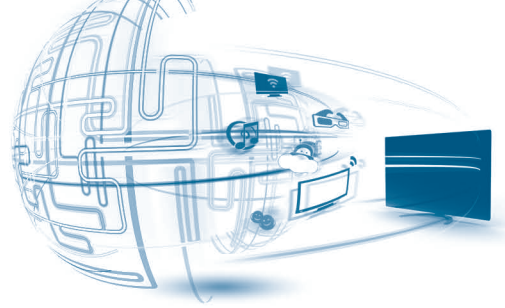
At each expiry date:

- (i) if the US\$ to RMB spot exchange rate (the "Spot Rate 2") was 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 reached RMB3,960,000 as stipulated in the contract;

- (ii) if the Spot Rate 2 was greater than the Upper Barrier Rate, there would have no settlement;
- (iii) if the Spot Rate 2 was less than the Lower Barrier Rate, the Group would pay 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 were no knock-out and termination features for losses.

A loss of HK\$2 million in respect of this contract had been recognised in profit or loss during the six months period ended 30 September 2011. The contract had been knocked-out and terminated in prior year.



17. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

Note 4: Cross-currency interest rate swap

The Group entered into a cross-currency interest rate swap contract which was designated as a highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risks arising from the Group's floating-rate US\$ bank borrowing by swapping the US\$ floating-rate interest payments to RMB fixed rate interest payments. The cross-currency interest rate swap of the Group with notional principal amount of US\$60,000,000 (equivalent to RMB402,300,000 at the date of inception of the loan, and reduced ratably with repayment of the underlying US\$ bank borrowings) 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 LIBOR per annum for periods up to November 2013. The cross-currency interest rate swap and the corresponding bank borrowings have the same terms and the directors consider that the cross-currency interest rate swap is highly effective hedging instruments.

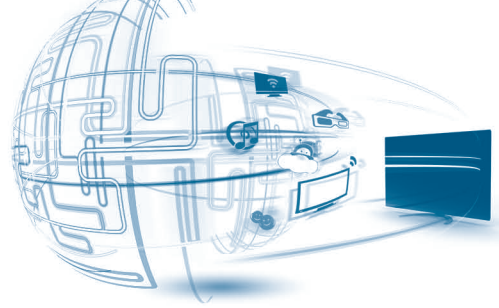
At the end of the reporting period, the fair value of the above cross-currency interest rate swap was determined based on valuation provided by the counterparty bank.

Gain from changes in fair value of HK\$1 million (for the six months period ended 30 September 2011: HK\$1 million) has been recognised in other comprehensive income and accumulated in hedging reserve and HK\$6 million (for the six months period ended 30 September 2011: nil) of the loss has been reclassified to profit and loss during the period.

During the period, the Group has repaid part of such US\$ bank borrowing in accordance with the repayment schedules. The notional amount of the swap has been reduced to match with the decrease in US\$ bank borrowing. The outstanding balance as at the end of the reporting period is amounting to US\$33,333,333 (equivalent to HK\$258 million) (as at 31 March 2012: US\$46,666,667 (equivalent to HK\$362 million)).

18. STRUCTURED BANK DEPOSITS

In prior year, the Group entered into certain equity-linked structured contract with banks with the aggregate principal sum of RMB182 million. These structured bank deposits are principal-protected yield enhancement bank deposits and contain embedded derivatives, of which the returns vary depending on the share price of certain listed securities or performance of certain investment portfolio. During the current period, RMB167 million (equivalent to HK\$206 million) of these structured bank deposits were withdrew upon its maturity and the Group entered another structured bank deposits of RMB80 million (equivalent to HK\$99 million) with another bank which carries at rates ranging from 2.1% to 3.6% depending on the performance of certain investment portfolio.

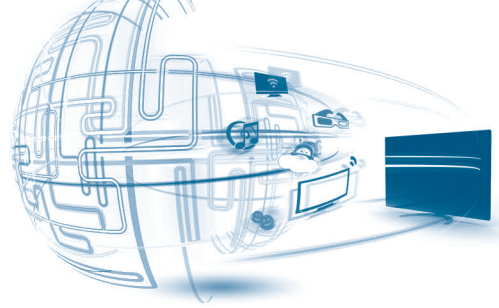


19. TRADE AND OTHER PAYABLES

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

	As at 30 September 2012 (unaudited) <i>HK\$ million</i>	As at 31 March 2012 (audited) <i>HK\$ million</i>
Within 30 days	3,766	1,449
31 to 60 days	1,318	658
61 to 90 days	575	574
91 days or over	197	393
Trade payables under endorsed bills	1,365	1,049
Trade payables	7,221	4,123
Accrued selling and distribution expenses	436	382
Accruals and other payables	801	549
Accrued staff costs	427	388
Deposits received for sales of goods	970	855
Deposits received for sales of properties	114	41
Other deposits received	189	253
Sales rebate payable	516	392
VAT payable	31	124
	10,705	7,107

The maturity dates of trade payables under endorsed bills are less than six months from the end of the reporting period.



20. BILLS PAYABLE

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

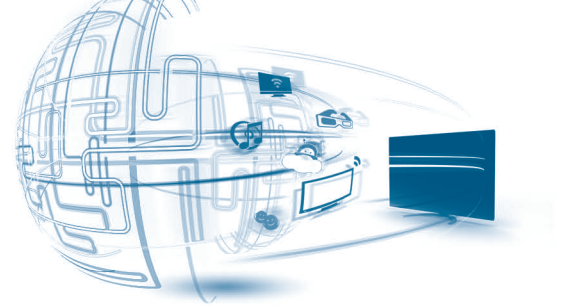
	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Within 30 days	364	250
31 to 60 days	230	188
61 to 90 days	579	175
91 days or over	257	328
	1,430	941

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

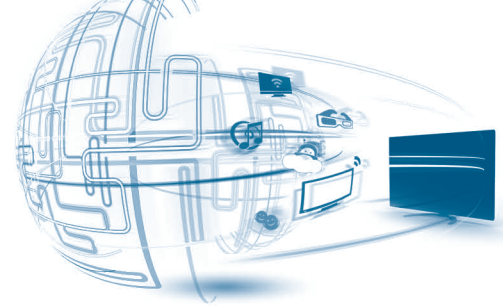
Movement in the obligations arising from put options written to non-controlling interests is as follows:

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
At the beginning of the period/year	362	308
Imputed interest expenses for the period/year	11	21
Changes in estimated redemption price regarding put options to the employees recognised in equity	16	31
Dividends paid for the period/year	(10)	(10)
Exchange realignment	-	12
At the end of the period/year	379	362
Analysis as:		
Current liabilities	176	160
Non-current liabilities	203	202
	379	362



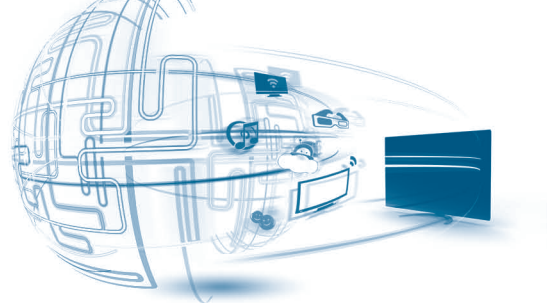
22. BANK BORROWINGS

	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	–	369
US\$ loans associated with foreign currency forward contracts (<i>note 17</i>)	–	123
Other bank loans	3,885	3,791
	3,885	4,283
Secured	1,068	2,884
Unsecured	2,817	1,399
	3,885	4,283
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	207	207
More than one year but not more than two years	52	155
	259	362
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	2,971	3,206
More than one year but not more than five years	655	715
	3,626	3,921
	3,885	4,283
Less: Amounts due within one year shown under current liabilities	(3,230)	(3,568)
Amounts shown under non-current liabilities	655	715



23. SHARE CAPITAL

	Number of shares		Share capital	
	1.4.2012 to 30.9.2012	1.4.2011 to 31.3.2012	1.4.2012 to 30.9.2012 (unaudited) HK\$ million	1.4.2011 to 31.3.2012 (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	2,692,535,523	2,593,815,941	269	259
Issue of shares upon exercise of share options	12,768,000	29,157,000	2	3
Issue of shares under scrip dividend scheme	–	69,562,582	–	7
At end of the period/year	2,705,303,523	2,692,535,523	271	269



24. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payments* to account for its share options (Note (i)) and sales of shares of a subsidiary to employees at consideration below fair value (Note (ii)). An amount of share-based payment expenses of HK\$29 million (for the six months ended 30 September 2011: HK\$29 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:

	1.4.2012 to 30.9.2012		1.4.2011 to 31.3.2012	
	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	150,739,500	2.660	171,996,500	2.281
Granted during the period/year	–	–	7,900,000	3.957
Exercised during the period/year	(12,768,000)	0.756	(29,157,000)	0.775
Lapsed during the period/year	(60,729,000)	1.541	–	–
Outstanding at the end of the period/year	77,242,500	3.855	150,739,500	2.660

The Group recognised in the total expense of HK\$25 million for the period (for the six months period ended 30 September 2011: HK\$25 million) in relation to share options granted by the Company.

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

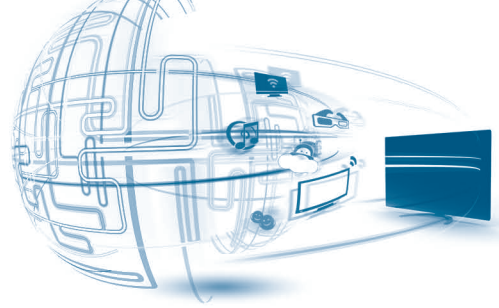
The Group recognised in the total expense of HK\$4 million (for the six months ended 30 September 2011: HK\$4 million) in relation to sale of Skyworth Digital Technology (Shenzhen) Company Limited (“SDT”) shares.

25. PLEDGE OF ASSETS

As at 30 September 2012, the Group’s bank borrowings were secured by the following:

- (a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK\$79 million (as at 31 March 2012: HK\$79 million) and HK\$59 million (as at 31 March 2012: HK\$59 million) respectively; and
- (b) pledged bank deposits of HK\$579 million (as at 31 March 2012: HK\$630 million).

In addition, there were bills receivable endorsed to suppliers with recourse of HK\$1,365 million (as at 31 March 2012: HK\$1,049 million) and no bills receivable discounted to banks with recourse (as at 31 March 2012: HK\$369 million) as disclosed in note 16.



26. CAPITAL COMMITMENTS

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

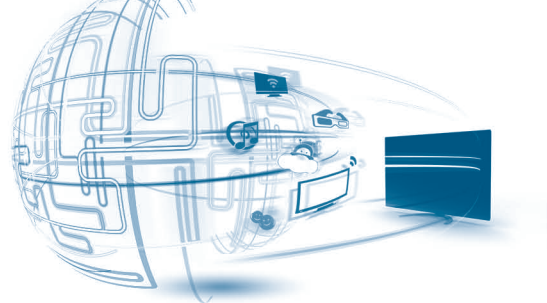
	As at 30 September 2012 (unaudited) HK\$ million	As at 31 March 2012 (audited) HK\$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	14	11
Factory buildings under development	679	735
	693	746
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	1	10
Factory buildings under development	5	43
	6	53

In addition, on 19 March 2010, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with two independent third parties, LG Display Co., Ltd. ("LG") and Guangzhou GET Technologies Development Co., Ltd. ("GET Tech"), 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 GET Tech 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

At the end of the reporting period, RGB provides guarantee in respect of bank borrowing granted to one of its jointly controlled entities amounting to HK\$25 million (as at 31 March 2012: HK\$25 million). The directors considered that the fair value of this financial guarantee contract at its initial recognition is insignificant on the basis of short maturity periods and low applicable default rates.

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



28. RELATED PARTY TRANSACTIONS

Trading transactions

During the period, the Group has the following transactions with related parties:

Jointly controlled entities

	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Sales of raw materials	3	3
Purchases of raw materials	10	29
Purchases of finished goods	–	2
Advertising and promotional expenses paid	6	17

An associate

	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Purchases of raw materials	41	–

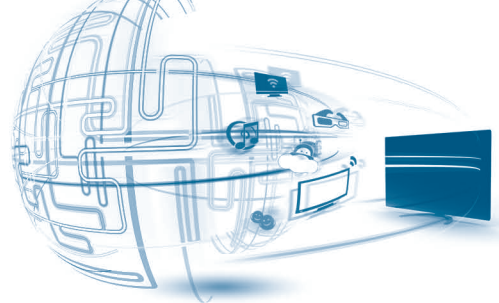
Compensation of key management personnel

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

	Six months ended 30 September	
	2012 (unaudited) HK\$ million	2011 (unaudited) HK\$ million
Short-term benefits	29	34
Share-based payments	9	6

The remuneration of directors and other 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 condensed consolidated financial statements of Skyworth Digital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 39, which comprise the condensed consolidated statement of financial position as of 30 September 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

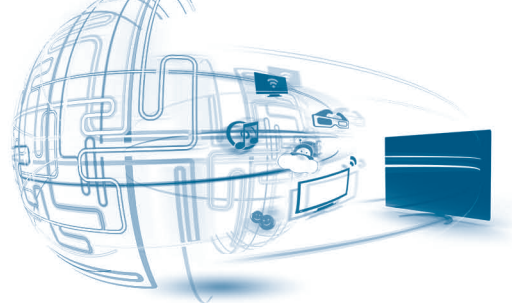
DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

28 November 2012

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 2012 of HK7 cents (2011: HK5.5 cents) per ordinary share, totalling approximately HK\$194 million (2011: HK\$146 million) to the shareholders of the Company on or around 31 January 2013 whose names appear on the register of members of the Company at the close of business on 14 December 2012. 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 2012, 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

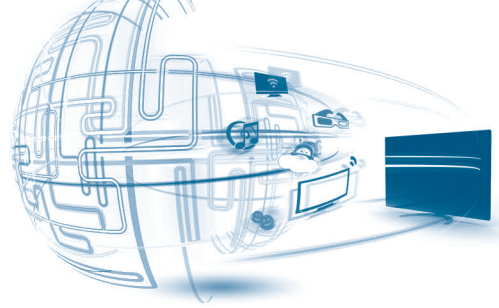
As at 30 September 2012, certain directors of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity		Number of issued ordinary shares held	Percentage to the issued share capital of the Company
Lin Wei Ping	Beneficial owner		7,208,930	0.27%
	Held by trust	(Note a)	841,891,916	31.12%
	Held by spouse	(Note b)	72,129,165	2.66%
		(Note c)	921,230,011	34.05%
Yang Dongwen	Beneficial owner		14,507,139	0.54%
Zhang Xuebin	Beneficial owner		9,798,257	0.36%
Leung Chi Ching, Frederick	Beneficial owner		6,358,000	0.24%
Lu Rongchang	Beneficial owner		2,895,416	0.11%
Li Weibin	Beneficial owner		1,000,000	0.04%
Shi Chi	Beneficial owner		510,378	0.02%
So Hon Cheung, Stephen	Beneficial owner		282,553	0.01%

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 841,891,916 ordinary shares of the Company.

Note b: Ms. Lin Wei Ping is deemed to be interested in 72,129,165 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 921,230,011 ordinary shares of the Company.



DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS — *continued*

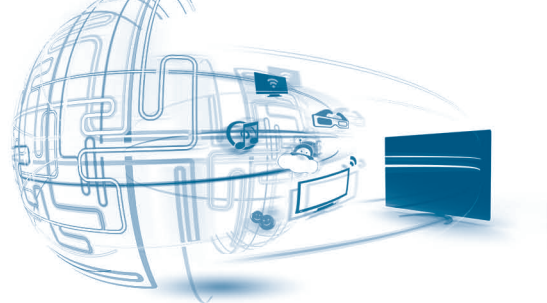
(b) *Share options of the Company*

As at 30 September 2012, 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	8,250,000
Lu Rongchang	Beneficial owner	8,250,000
Yang Dongwen	Beneficial owner	5,500,000
Zhang Xuebin	Beneficial owner	750,000
Leung Chi Ching, Frederick	Beneficial owner	500,000
Lin Wei Ping	Beneficial owner	500,000

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 2012, 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 2012.

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 2012, 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>)	841,891,916	31.12%
HSBC International Trustee Limited	Trustee (<i>Note b</i>)	841,891,916	31.12%
Lin Wei Ping	Beneficial owner Held and deemed to be held by spouse (<i>Note c</i>)	7,208,930 914,021,081	0.27% 33.78%
		921,230,011	34.05%
Wong Wang Sang, Stephen	Beneficial owner Held and deemed to be held by spouse (<i>Note d</i>)	72,129,165 849,100,846	2.66% 31.39%
		921,230,011	34.05%

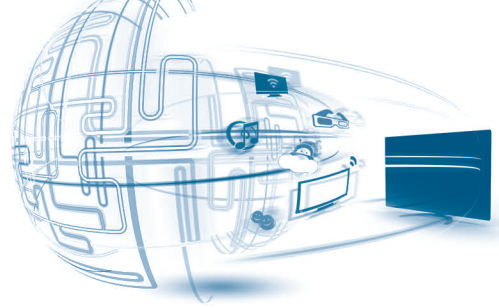
Note a: Target Success Group (PTC) Limited held the shares of the Company in the capital as trustee of the Skysource Unit Trust, all of the units in which are held by HSBC International Trustee Limited in its capacity as trustee of the Skysource Trust.

Note b: HSBC International Trustee Limited is deemed to be interested in 841,891,916 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 914,021,081 ordinary shares of the Company being the 72,129,165 ordinary shares held by her spouse, Mr. Wong Wang Sang, Stephen and 841,891,916 ordinary shares held as discretionary beneficiary of Skysource Trust.

Note d: Mr. Wong Wang Sang, Stephen is deemed to be interested in 849,100,846 shares of the Company being the interests held by his spouse, Ms. Lin Wei Ping (7,208,930 ordinary shares held by herself and 841,891,916 ordinary shares held as discretionary beneficiary of the Skysource Trust).

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 2012.

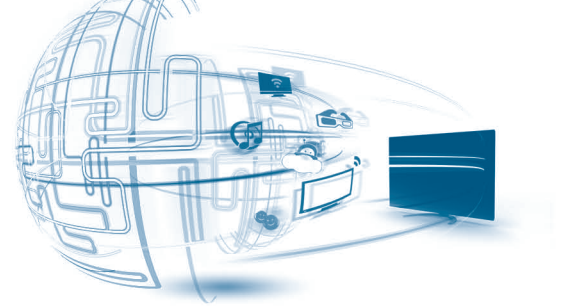


SHARE OPTIONS

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 2012:

Under 2002 Share Option Scheme

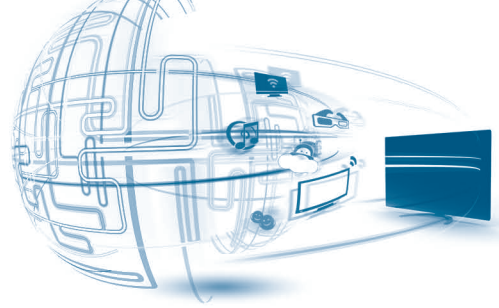
Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note a)</i>	Lapsed during the period	Outstanding at 30 September 2012
Directors:								
Lu Rongchang								
1 February 2008	0.770	1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	250,000	-	(250,000)	-	-
So Hon Cheung, Stephen								
1 February 2008	0.770	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 2012	1 May 2012 to 28 August 2012	125,000	-	(125,000)	-	-
				500,000	-	(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 2012
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note a)</i>	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)	-

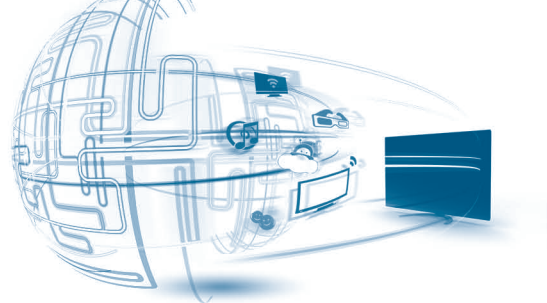


SHARE OPTIONS — continued

Under 2002 Share Option Scheme — continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2012
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note a)</i>	Lapsed during the period	
11 May 2007	1.048	11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	50,000	-	-	(50,000)	-
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	875,000	-	-	(875,000)	-
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,630,000	-	(755,000)	(875,000)	-
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 28 August 2012	927,000	-	(76,000)	(851,000)	-
		1 February 2008 to 31 January 2010	1 February 2010 to 28 August 2012	1,119,500	-	(194,500)	(925,000)	-
		1 February 2008 to 30 April 2011	1 May 2011 to 28 August 2012	2,230,000	-	(1,224,000)	(1,006,000)	-
		1 February 2008 to 30 April 2012	1 May 2012 to 28 August 2012	7,837,500	-	(6,651,000)	(1,186,500)	-
2 April 2008	0.712	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	666,500	-	-	(666,500)	-
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	916,500	-	(53,000)	(863,500)	-
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	1,202,000	-	(252,000)	(950,000)	-
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	2,225,000	-	(1,200,000)	(1,025,000)	-
				71,884,500	-	(11,155,500)	(60,729,000)	-
				72,384,500	-	(11,655,500)	(60,729,000)	-

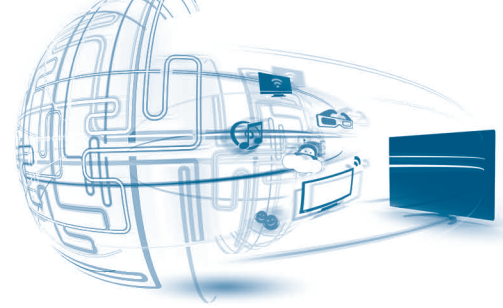
Note a: The weighted average closing prices of the Company's shares immediately before the date on which the share options were exercised during the six months ended 30 September 2012 was HK\$3.25.



SHARE OPTIONS — continued

Under 2008 Share Option Scheme

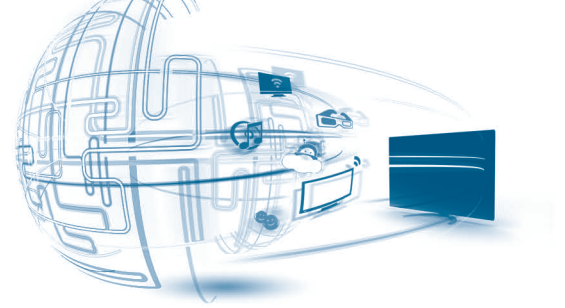
Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2012
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	
Directors:								
Zhang Xuebin								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	750,000	-	-	-	750,000
Yang Dongwen								
6 November 2008	0.374	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
Lin Wei Ping								
6 November 2008	0.374	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

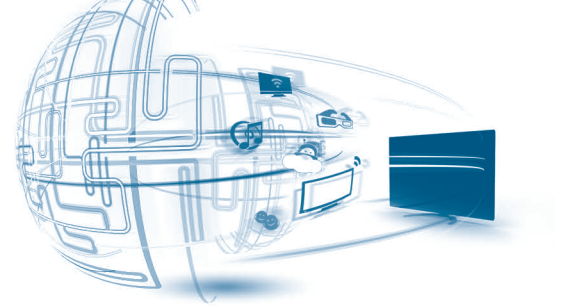
Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2012
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period (Note b)	Lapsed during the period	
Directors: — continued								
Lu Rongchang								
6 November 2008	0.374	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
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	-	-	-	400,000



SHARE OPTIONS — continued

Under 2008 Share Option Scheme — continued

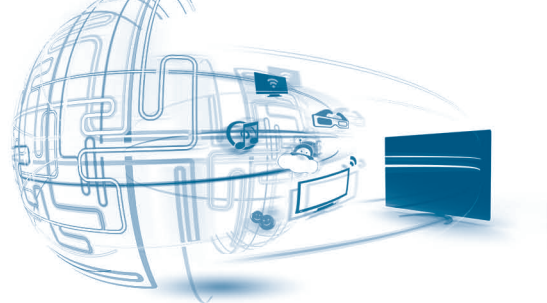
Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2012
Directors: — continued								
Leung Chi Ching, Frederick								
6 November 2008	0.374	6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	500,000	-	-	-	500,000
Shi Chi								
6 November 2008	0.374	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
				23,750,000	-	-	-	23,750,000



SHARE OPTIONS — continued

Under 2008 Share Option Scheme — continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2012
Employees/Consultants:								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	471,000	–	(2,000)	–	469,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	992,500	–	(60,500)	–	932,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	2,729,000	–	(1,050,000)	–	1,679,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	7,387,500	–	–	–	7,387,500
26 November 2008	0.415	26 November 2008 to 25 November 2011	26 November 2011 to 30 September 2018	25,000	–	–	–	25,000
		26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	100,000	–	–	–	100,000
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

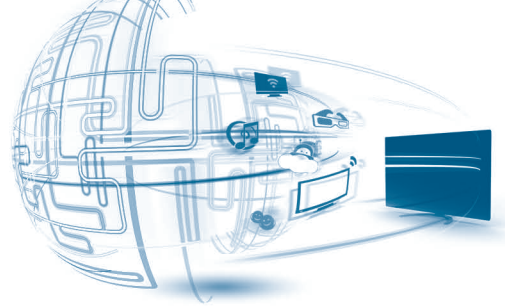


SHARE OPTIONS — continued

Under 2008 Share Option Scheme — continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2012	Granted during the period	Exercised/ cancelled during the period <i>(Note b)</i>	Lapsed during the period	Outstanding at 30 September 2012
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	-	-	-	120,000
			1 September 2013 to 30 September 2018	120,000	-	-	-	120,000
			1 September 2014 to 30 September 2018	120,000	-	-	-	120,000
			1 September 2015 to 30 September 2018	120,000	-	-	-	120,000
			1 September 2016 to 30 September 2018	120,000	-	-	-	120,000
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	-	-	-	60,000
			1 September 2013 to 30 September 2018	60,000	-	-	-	60,000
			1 September 2014 to 30 September 2018	60,000	-	-	-	60,000
			1 September 2015 to 30 September 2018	60,000	-	-	-	60,000
			1 September 2016 to 30 September 2018	60,000	-	-	-	60,000
				54,605,000	-	(1,112,500)	-	53,492,500
				78,355,000	-	(1,112,500)	-	77,242,500

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 2012 was HK\$3.26.



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

During the six months ended 30 September 2012, 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 2012.

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 2012 as described in the "Corporate Governance Report" of the Company's annual report 2011/12.

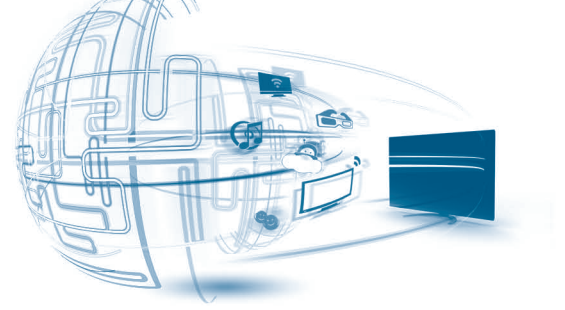
For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's annual report 2011/12.

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 2011/12. 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

The Executive Committee was established by the Board on 5 February 2005. The Executive Committee currently comprises thirteen 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. 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 two meetings to review the composition of the Board. The Remuneration Committee held two meetings to review the compensation and incentive package of the senior management of the Group and review the amount of bonus payable to senior management by the Group for the year ended 31 March 2012.

Audit Committee

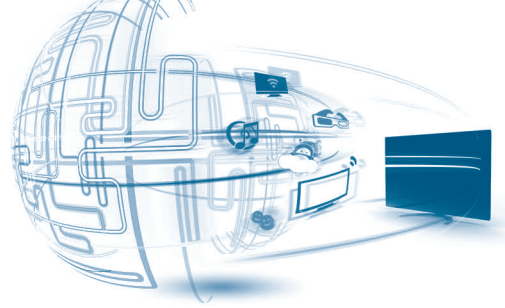
The Audit Committee was established by the Board since the initial listing of the Company's shares on the Stock Exchange on 6 April 2000. The Audit Committee comprises three members, Mr. So Hon Cheung, Stephen (Chairman), Mr. Li Weibin and Ms. Chan Wai Kay, Katherine, all of whom are independent non-executive 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 Group's systems of internal control;
- (c) reviewed 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, 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 three 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 Friday, 14 December 2012 to Thursday, 20 December 2012, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 31 January 2013, 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 Thursday, 13 December 2012.

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, Mr. Yang Dongwen as executive director and the chief executive officer, 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

28 November 2012