Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

Interim Report 2013/14

CONTENTS

FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		
	2013 **(unaudited)**	2012 (unaudited)	Change
OPERATING RESULTS			
Turnover	**20,022**	16,389	+22.2%
Operating Profit (EBIT)	**1,043**	830	+25.7%
Profit attributable to owners of the Company	**719**	569	+26.4%
FINANCIAL POSITION			
Net cash from operating activities	**3,639**	1,692	+115.1%
Cash position*	**4,150**	4,055	+2.3%
Bank borrowings	**4,240**	3,885	+9.1%
Bank borrowings excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	**4,088**	3,885	+5.2%
Equity attributable to owners of the Company	**10,553**	8,792	+20.0%
Working capital	**6,966**	6,997	–0.4%
Bills receivable	**8,214**	8,020	+2.4%
Trade receivables	**5,048**	4,477	+12.8%
Inventories	**5,003**	4,815	+3.9%
KEY RATIOS			
Gross profit margin (%)	**19.1%**	20.1%	–1.0pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	**6.1%**	6.0%	+0.1pp
Profit margin (%)	**4.0%**	3.8%	+0.2pp
Return on equity (ROE) (%)	**13.6%**	12.9%	+0.7pp
Debt to equity (%)**	**40.2%**	44.2%	–4.0pp
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	**38.7%**	44.2%	–5.5pp
Net debt to equity***	**Net Cash**	Net Cash	N/A
Current ratio (times)	**1.4**	1.4	0.0%
Trade receivable turnover period (days)****	**122**	134	–9.0%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**122**	132	–7.6%
Inventories turnover period (days)****	**57**	56	+1.8%
DATA PER SHARE (HK CENTS)			
Earnings per share — Basic	**25.64**	21.10	+21.5%
Earnings per share — Diluted	**25.60**	20.96	+22.1%
Dividend per share	**8.50**	7.00	+21.4%
Book value per share	**376.36**	325.03	+15.8%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	**2,804**	2,705	+3.7%
Market capitalisation	**10,376**	9,928	+4.5%

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

** Bank borrowings/equity attributable to owners of the Company at period end

*** Calculated based on (cash position + bills on hand — bank loans)/equity attributable to owners of the Company at period end

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lin Wei Ping *(Executive Chairperson)*
Mr. Yang Dongwen *(Chief Executive Officer)*
Mr. Leung Chi Ching, Frederick
Mr. Lu Rongchang
Mr. Shi Chi
Ms. Chan Wai Kay, Katherine
(re-designated on 9 September 2013)

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen
Mr. Li Weibin
Mr. Sun Shengdian (appointed on 23 September 2013)

MEMBERS OF COMMITTEES

Audit Committee

Mr. So Hon Cheung, Stephen *(Chairperson)*
Mr. Li Weibin
Mr. Sun Shengdian

Executive Committee

Ms. Lin Wei Ping *(Chairperson)*
Mr. Yang Dongwen
Mr. Leung Chi Ching, Frederick
Mr. Lu Rongchang
Mr. Shi Chi
Ms. Chan Wai Kay, Katherine
Mr. Sun Ruikun
Mr. Liu Tangzhi
Mr. Lam Shing Choi, Eric
Mr. Wang Dehui
Mr. Wu Qinan
Mr. Guo Limin
Ms. Shao Meifang
Mr. Li Xiaofang
Mr. Sun Weizhong

Nomination Committee

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

Remuneration Committee

Mr. Li Weibin *(Chairperson)*
Mr. So Hon Cheung, Stephen
Mr. Sun Shengdian
Ms. Lin Wei Ping

COMPANY SECRETARY

Mr. Leung Chi Ching, Frederick

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Development Bank Corporation
China Merchants Bank Co., Limited
Citic Bank International Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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
Shops 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 2013/2014

Results Announcement Date
Interim Results: 25 November 2013 (Monday)

Dividend Per Share
Interim dividend: HK8.5 cents

Important Date for Interim Dividend

Closure Period of the Register of Members and Scrip Price Fixing Period
From 10 December 2013 (Tuesday)
to 16 December 2013 (Monday) both dates inclusive
(95% of the average closing prices per share)

Record Date
12 December 2013 (Thursday)

Interim Dividend Payment Date
27 January 2014 (Monday)

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 2013 (the "Period"):

- Turnover increased by 22.2% from that of the same period last year, reached HK$20,022 million (81.6% from mainland China market).

- Sales of television products and digital set-top boxes accounted for 77.0% and 10.8% of the Group's total turnover, respectively.

- Gross profit achieved HK$3,833 million, increased by 16.1%; the gross profit margin was 19.1%, decreased by 1.0 percentage point compared with that for the same period last year.

- Unaudited profit before and after non-controlling interests for the Period were HK$806 million and HK$719 million, respectively, increased by 30.4% and 26.4%, respectively, on a year-on-year basis.

- The Board has proposed an interim dividend of HK8.5 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$20,022 million, representing an increase of 22.2% over the same period last year.

The TV products business unit in China market responded to the recent market change by actively introducing new products and modifying its products mix. It continuously promotes Ultra High Definition ("UHD") 4K x 2K TVs and Cloud TVs, so as to create a premium value to the brand by associating with high-end products. The Group successfully utilized its well-developed sales network in third and fourth tier cities as well as the specialty stores in first and second tier cities to capture customers' demand in middle to high-end products. With the most upfront customer information obtained through our channels coverage, the Group was able to instantly react with a wide range of products and fulfill the needs from different markets and customers. At the same time, benefited from the increase in sales volume of high-end products as well as the replacement demand for TV products in China market, the overall average selling price of the Group increased. In addition, the turnover of digital set-top boxes and white appliances recorded a high-speed growth. All of the above contributed to the continuous growth in turnover of the China market.

Although the global economy still depressed, the Group concentrated in exploring areas in the emerging markets and enforcing the implementation of new products as well as to increase the awareness of our own-brand products. The turnover in overseas market roared by 42.4% over the same period last year, in particular for the sales of digital set-top boxes and white appliances.

Turnover analysis by geographical and product segments

Mainland China Market

During the Period, the mainland China market accounted for 81.6% of the Group's total turnover, recorded a 18.4% growth from HK$13,800 million for the same period last year to HK$16,334 million.

The Group's TV business in mainland China accounted for 84.2% of the total domestic turnover. The sales of digital set-top boxes and white appliances accounted for 6.4% and 4.3%, respectively. Other business units include those engaged in manufacturing of LCD modules, moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 5.1%.

TV products

The continuous improvement of the China economy has maintained a high level of demand for LCD TV in mainland China market. The termination of the energy-saving home appliances subsidy program during the Period, had limited adverse impact to the Group's turnover. In addition, the Group has launched a sales strategy during this year to deepen the market penetration of the UHD 4K TVs, the Group's TV products sales in mainland China market grew by 11.4% and reached HK$13,753 million.

The Group adheres to quality as its foundation and committed to produce high quality electronic products. Through a series of breakthrough on new technologies and new products which lead the trend of TV products market, the Group has achieved a leading performance in TV products.

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in mainland China performed by All View Consulting Co., Ltd. (a market research and marketing consulting company focusing on consumer electronic and home appliance industry, the establishment of which was initiated and advocated by China Video Industry Association in China) the Group's market shares among local and foreign TV brands in mainland China for the 12 months ended 30 September 2013 are as follows:

	Ranking	Market share
All TV		
— Volume	1	16.9%
— Revenue	1	16.1%
LCD TV (included CCFL and LED LCD TV)		
— Volume	1	17.8%
— Revenue	1	17.1%
3D TV (included CCFL and LED LCD TV)		
— Volume	1	25.2%
— Revenue	1	20.9%

During the Period, the Group's total TV sales in mainland China were from selling of LED LCD TVs, in total 4.22 million sets Flat Panel TVs under Skyworth brand were sold, representing an increase of 16.6%. In which 1.27 million sets refers to the sales volume of Cloud TVs, representing 30.1% of the Group's total TV sales in mainland China market. Whilst the sales volume of 3D LED LCD TVs has reached 0.94 million sets, represented 22.3% of the Group's total TV sales in mainland China market.

In order to enhance the Group's product competitiveness and the market share, the Group launched a new generation of Cloud TV operating system — Tianci System. The Tianci operating system is endowed with four advantages including simple control, full floating UI, cross-border integrated cloud platform and second screen, which bring the Cloud TV to reach a more advanced platform. Meanwhile, the Group together with the strategic partner Alibaba Group brought a debut three series of "Coocaa" smart TV ("Coocaa TV"). The Coocaa TV has embedded with Alibaba's application such as "Juhuasuan.com" and "Alipay" which aimed to open the era of home Internet.

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

- In the list of best listed companies of Asia-Pacific Region in the year 2013 released by Forbes, the Group was granted "Fabulous TOP Fifty Listed Enterprises of Asia-Pacific Region in 2013".

- The Skyworth "Memory Share" TVs has received the "Red Dot Concept Award" organized and held by the design promotion center of Zentrum Nordhein Westfalen.

- In the 2013 (9th) China Digital TV Industry Development Summit Forum, the Group was awarded as "The best rated flat-panel TV brand of 2013". Meanwhile, Skyworth UHD 4K Cloud TV E780U series also won "Top Ten flat-panel TVs of 2013" award in the Forum.

- In the "2013 China Third Summit Forum on Product Innovation" the Group was awarded as "China's Top Ten Innovative Producers (manufacturing section) in 2013".

- In the awarding ceremony of the "10th Shenzhen Top Brand", Shenzhen Chuangwei — RGB Electronics Co., Ltd. was awarded "Shenzhen Top Brand".

- In the "Economic Operation of China Electronic Information Industry and the Color TV Industry Research Conference of 2nd Quarter 2013", the Group's TV model 50E780U was granted with the award of "2013 Innovative UHD Product of China color TV industry", while Skyworth 4K full-time system won the award of "2013 Innovative UHD Technology of China color TV industry".

- In the "Press Conference of the Sixth National After-sales Service Evaluation Event and the Forum of Service Creating New Values", with its excellent service, the Group was honored with the title of "Top Ten Enterprises with Excellent After-sales Service in China" and became the only enterprise winning the honor within domestic color TV industry.

Digital set-top boxes

The turnover of digital set-top boxes in mainland China market recorded HK$1,038 million, representing an increase of 19.2% or HK$167 million, compared with HK$871 million recorded in the same period of previous year.

The Group's digital set-top boxes have a remarkable brand primacy with a leading position amongst competitors in the market of mainland China. During the Period, the Group has won the bid for the programmes of live broadcast satellite launched by the State Administration of Radio, Film and Television. In addition, the Group successfully developed in new provinces which resulted in a dramatic increase in sales volume when comparing with that of last period. The "i.Kan" brand that promoted by the Group since last year was awarded "Shenzhen Top Brand" in the awarding ceremony of the "10th Shenzhen Top Brand". This would further enhance brand awareness and benefit the turnover of digital set-top boxes.

White Appliances

The turnover of white appliances in mainland China market recorded HK$696 million, representing a substantial increase of 575.7% or HK$593 million.

Through establishing a research center, the Group continuously strengthens its products quality and developed products which were more energy-saving, advanced and trendy. In addition, the Group made use of outdoor mega advertising board and television advertisement to construct its brand and to obtain customers' acceptance. Apart from effectively utilising the Group's existing sales network, the Group distributed its refrigerators and washing machines via Internet and large chained department stores which significantly enhanced the market share and marked a favorable result for the Period.

LCD Modules

The turnover of LCD modules in mainland China recorded HK$270 million, representing an increase of HK$124 million or 84.9%.

The LCD modules has years of experience in developing LED backlight products and possession of mature technology. During the Period, owing to its excellent customer base and quality control, with customers' trust and support, boosted up its sales orders. By converting to high-end products production, both of the average price and turnover are growing. During the Period, the LCD module business unit in further enlarged its production scale and diversified its products, especially for the self-designed small size modules, which believe to be a new driver to its overall turnover.

Overseas Markets

The turnover generated from overseas markets accounted for HK$3,688 million, or 18.4% of the Group's total turnover for the Period. Comparing with HK$2,589 million recorded in the same period of previous year, representing an increase of 42.4%.

TV products

The turnover of overseas TV products for the Period was HK$1,657 million, or 44.9% of the total overseas turnover, has grew by 66.4%. The overseas sales volume increased by 23.2% to 1.38 million sets, in which cathode ray tube ("CRT") TVs decreased to 0.19 million sets, or equivalent to a drop of 20.8%, and flat panel TV increased by 35.2% to 1.19 million sets.

During the Period, in order to strengthen our brand product image, the Group participated actively in exhibitions throughout different countries. Having variety of products to satisfy our customers' expectation, TVs with **Skyworth** brand name have gained more acceptances from overseas customers. Especially in Asia Market, our own branded products hit a new record with the continuous volume growth. The Group keeps on exploring new customers in South America market, in where the turnover was encouraging and driven up the overall overseas sales.

In addition, other key factors of the turnover growth of the overseas TV products include:

- effectively instruct clear strategies, seize the demand for the digital conversion in the emerging markets;
- adequately launch high-end products, strengthen the product image; and
- enhance the development of the sales network in the overseas market and provide excellent after-sale services in order to maintain the product price competitiveness and gross profit margin.

Digital set-top boxes

The turnover of overseas digital set-top boxes for the Period increased by 16.6% to HK$1,124 million from the same period last year.

The Group seizes the opportunity of large-scale digital conversion in emerging markets. Other than to maintain close cooperation with operators in India, we also actively exploit other markets such as Thailand, Indonesia and Vietnam. This led to an increase in the turnover and thus the sales of digital set-top boxes in Asia market recorded 46.4% compared to the same period last year. Moreover, the Group has successfully bid in various operators' projects in Turkey and South Africa markets and sustains mass production to improve our overseas sales. Although the performance in Europe market was incompetence to the Asia market, the Group will continue to sustain market demand by perfecting our product line. The digital set top boxes business yet will keep on further explore opportunities in Eastern Europe, Russia and South America so as to consolidate its position in the overseas market.

White Appliances

The turnover of white appliances (mainly tablet computer) in overseas market recorded HK$426 million, representing an increase of 21.4% or HK$75 million compared to the same period in last year.

The Group continues to resource in extending its customer base in Asia market, and widening its source of customers by exploring new regions such as South America, Middle East, Russia, Germany and Portugal. Through more participation to IT festivals and electronic exhibitions in different regions, our products gain a better brand reputation. We also obtained the overseas customers' support and trust by differentiating our product functions and by improving our product quality through continuous technological research so as to sustain a higher turnover.

Geographical distribution

During the Period, Asia, America and Africa dominate the Group's overseas markets, with aggregation up to 86% in overseas turnover. The turnover from Asia market rose by 4 percentage points due to emerging markets expansion. The remaining 14% of overseas turnover belongs to Middle East, Australia and New Zealand and Europe. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2013	2012
	(%)	(%)
Asia (including Japan, Korea, Vietnam, etc.)	**49**	45
America	**28**	22
Africa	**9**	5
Europe	**8**	21
Middle East	**5**	6
Australia and New Zealand	**1**	1
	100	100

Gross profit margin

For the Period, the overall gross profit margin of the Group dropped 1.0 percentage point from 20.1% to 19.1% in comparison to the same period last year.

The product pricing cycle is shortening due to non-traditional TV suppliers penetration into Smart TVs, which adversely affected our gross profit margin of TV products. In addition, the energy-saving home appliance subsidy program has expired in May 2013, the relatively small sizes portions increased in the first quarter, which constitutes another reason for the declining gross profit margin.

In the second half year, the Group accelerates conversion to middle and high-end products through its sales strategic reform, new products promotion enforcement, the product quality improvement and production cost optimization, integrating all ingredients will lead to an increase in the gross profit margin.

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 13.1% compared to the same period last year from HK$2,089 million to HK$2,362 million. The S&D expenses to turnover ratio decreased by 0.9 percentage points from 12.7% to 11.8%.

During the Period, in line with a series of new products, the Group launched various promotions on vehicles, outdoor advertising mega boards and sponsored major TV shows and media advertisement. The Group also organised technical presentations and participated in different exhibitions to reinforce our brand influence and devote more resources to enlarge the sales channels in rural areas and enhance its product image. This increased the advertising expenses by 10.9%. Corresponding selling costs increased in proportion to the turnover including exhibition and flagship store expenditures, promotional staff 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$151 million or 25.0% to HK$755 million. The G&A expenses to turnover ratio for the Period slightly increased by 0.1 percentage points to 3.8%.

To maintain the ability to offer high quality products with latest features, the Group had devoted more resources in research and development ("R&D") expenses during the Period, that triggered an increase in R&D expenses by HK$60 million or 38.7%. In addition, the staff salary and welfare increased by HK$16 million, or 10.7% 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$5,003 million as at the Period ended, representing a decrease of HK$106 million or 2.1% as at 31 March 2013. Due to a drop of sale volume in September 2013 as announced, the Group paced up to clear the aged inventory thus led to a drop in net balance.

Compared to 30 September 2012, the inventory increased by HK$188 million or 3.9%. This was mainly in proportion to our turnover and as a result of the expanded production scales and changes in raw material components structure that shifting from low-end to middle to high-end products, corresponding to the increase in the total quantities and the unit cost of overall inventory.

As at the Period ended, the inventory turnover days was 57 days which was similar to the same period ended last year, reflecting the continuous effective inventory control and the products transformation of the Group.

Trade receivables and bills receivable

At 30 September 2013, the Group had a total of HK$13,262 million trade receivables and bills receivable, decreased by HK$354 million, or 2.6% compared to that as at 31 March 2013. Trade receivables increased by HK$1,205 million or 31.4% to HK$5,048 million, whilst bills receivable dropped by HK$1,559 million or 16.0% to HK$8,214 million. Such increase is coherent with the seasonal peak in September in mainland China.

Concerning the cost efficiency as a whole, the Group adopted to issue more bills for suppliers during the Period. The change of payment approach caused a decline in bills endorsed to suppliers with recourse by 55.9% which led to a drop 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$765 million or 6.1%. Trade receivables increased by HK$571 million, whilst bills receivable increased by HK$194 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 2013, the Group's trade payables and bills payable amounted to HK$5,845 million and HK$3,231 million, respectively. As compared with that as at 31 March 2013, the trade payables increased by HK$157 million or 2.8% and the bills payable increased by HK$1,532 million or 90.2%. At the Period ended, trade payable and bills payable increased primarily from massive procurements by TV, digital set-top boxes and white appliances divisions for meeting demands in peak season.

As compared with the amounts as at 30 September 2012, subject to the decline in the trade payable under endorsed bills by 51.8%, the trade payables decreased by HK$1,376 million or 19.1% whilst bills payable increased by HK$1,801 million or 125.9%. This was mainly resulted from the increase in the purchase 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$11 million or 0.2% from 31 March 2013. Bank balances and cash amounted to HK$3,234 million, representing an increase of HK$933 million, compared with that as at 31 March 2013, whilst an decrease of HK$125 million from the same period last year. The pledged bank deposits amounted to HK$891 million as at 30 September 2013, representing an increase of HK$268 million compared with that as at 31 March 2013, whilst the structured bank deposit amounted to HK$25 million which maintained the same level as 31 March 2013. The increase in pledged bank deposits at the Period ended was mainly due to addition cash injected during the period for bills payable or revolving loan with financial institutions.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$891 million bank deposits and HK$25 million structured bank deposits, as well as certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$94 million (as at 31 March 2013: HK$126 million) as at the Period ended.

The Group adopted principle of prudence and committed to maintain a healthy financial position. At the end of the Period, total bank loans amounted to HK$4,240 million. Equity attributable to owners of the Company amounted to HK$10,553 million (as at 31 March 2013: HK$9,969 million); debt to equity ratio was 38.7% (as at 31 March 2013: 58.2%) 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 maintained 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 requires 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$80 million net foreign exchange gains associated with general operation with reference to large appreciations 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 stabilized in the long run. During the Period, the Group remained several financial arrangements with certain banks, such as target redemption contract, 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 16 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Period, an addition of HK$552 million in construction projects were underway, including certain new production line projects, the ongoing construction of new headquarter centre, the energy-saving facilities and the new construction phases for Guangzhou, Inner Mongolia, Nanjing, Yichun and Shenzhen production plants. These projects are positive influential to the productivity and operations, and providing tactics to complete orders on time. The Group had spent approximately HK$311 million on machinery in production line setups and other equipment, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

During the Period, in order to enhance centralised fund management, improve the efficiency of fund utilisation and optimise resource allocation within the Group, Skyworth Group Limited, a wholly-owned subsidiary of the Company registered in China, invested about HK$1,267 million (equivalent to RMB1,000 million) to establish Skyworth Group Finance Company Limited ("Finance Company"). On 5 September 2013, the China Banking Regulatory Commission ("CBRC") issued a certificate to Finance Company authorising the commencement of business as the finance company of the Group.

Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK$41 million in technological research and development through direct investments or available-for-sale investments in TV and Digital set-top boxes industries, to constitute supports for more integrated TV products and Digital set-top boxes development.

CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of business of the Group. The Group is in the course of processing these matters. The directors 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

At 30 September 2013, the Group had over 35,000 employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 41 branches and 206 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

As it was over optimistic to the TV products market at the beginning of the Period, while 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 2013. Hence, the Group has adjusted its annual sales volume target of domestic and overseas TV products to 9.50 million units and 3.50 million units respectively.

The Group would expect 3D TVs, Smart TVs and large size 4K UHD TVs be the major market demand in the second half of the year. The Group would grasp the opportunity for cross enterprise partnership and devote effort on promoting Smart TVs and UHD TVs. In order to achieve the annual sales volume target, the Group would launch a "Double brands, double platform" sales strategy to speed up the products replacement process and roll out new and diversified products.

For the overseas market, the Group continued to operating with cautious style policy. Not only keep on exploring the growth in the Asia and American 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 achieve its annual sales volume target.

Last but not least, the Group will continue to develop other existing business units, some of which have already achieved outstanding results.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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

		Six months ended 30 September	
	NOTES	**2013**	2012
		(unaudited)	(unaudited)
Turnover	*3*	**20,022**	16,389
Cost of sales		**(16,189)**	(13,088)
Gross profit		**3,833**	3,301
Other income		**402**	268
Other gains and losses	*5*	**(62)**	(32)
Selling and distribution expenses		**(2,362)**	(2,089)
General and administrative expenses		**(755)**	(604)
Finance costs	*6*	**(83)**	(67)
Share of results of associates		**1**	1
Share of results of joint ventures		**(1)**	(4)
Profit before taxation		**973**	774
Income tax expense	*7*	**(167)**	(156)
Profit for the period	*8*	**806**	618
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**160**	–
Fair value loss on available-for-sale financial assets		**(19)**	(17)
Reclassification adjustment upon impairment of available-for-sale financial assets		**19**	–
Fair value (loss) gain on cash flow hedges	*16(3)*	**(3)**	1
Loss on cash flow hedges reclassified to profit and loss	*16(3)*	**8**	6
Other comprehensive income (expense) for the period		**165**	(10)
Total comprehensive income for the period		**971**	608
Profit for the period attributable to:			
Owners of the Company		**719**	569
Non-controlling interests		**87**	49
		806	618
Total comprehensive income for the period attributable to:			
Owners of the Company		**875**	559
Non-controlling interests		**96**	49
		971	608
Earnings per share (expressed in HK cents)			
Basic	*9*	**25.64**	21.10
Diluted	*9*	**25.60**	20.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2013
Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2013 (unaudited)	As at 31 March 2013 (audited)
Non-current Assets			
Property, plant and equipment	11	**3,792**	3,068
Deposits for purchase of property, plant and equipment		**141**	124
Investment properties		**11**	11
Prepaid lease payments on land use rights		**447**	445
Interests in associates		**14**	13
Interests in joint ventures		**198**	219
Other receivable	12	**–**	108
Available-for-sale investments	13	**329**	305
Deferred tax assets		**135**	137
		5,067	4,430
Current Assets			
Inventories		**5,003**	5,109
Stock of properties		**550**	539
Prepaid lease payments on land use rights		**10**	10
Trade and other receivables, deposits and prepayments	14	**7,541**	6,213
Bills receivable	15	**8,214**	9,773
Derivative financial instruments	16	**2**	–
Amounts due from joint ventures		**19**	28
Amounts due from associates		**27**	–
Tax recoverable		**44**	12
Structured bank deposits		**25**	25
Pledged bank deposits		**891**	623
Bank balances and cash		**3,234**	2,301
		25,560	24,633
Current Liabilities			
Trade and other payables	17	**10,209**	9,586
Bills payable	18	**3,231**	1,699
Dividend payable	10	**308**	–
Obligations arising from put options written to non-controlling interests	19	**457**	410
Derivative financial instruments	16	**6**	10
Provision for warranty		**143**	133
Amounts due to joint ventures		**4**	4
Amount due to an associate		**33**	65
Tax liabilities		**115**	190
Bank borrowings	20	**3,897**	5,581
Deferred income		**191**	–
		18,594	17,678
Net Current Assets		**6,966**	6,955
Total Assets less Current Liabilities		**12,033**	11,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

AT 30 SEPTEMBER 2013

Amounts expressed in millions of Hong Kong dollars

	NOTES	**As at 30 September 2013 (unaudited)**	As at 31 March 2013 (audited)
Non-current Liabilities			
Provision for warranty		**57**	40
Bank borrowings	*20*	**343**	225
Deferred income		**555**	706
Deferred tax liabilities		**174**	178
		1,129	1,149
NET ASSETS		**10,904**	10,236
Capital and Reserves			
Share capital	*21*	**280**	280
Share premium		**2,396**	2,396
Share option reserve		**174**	157
Surplus account		**38**	38
Capital reserve		**537**	537
Exchange reserve		**1,271**	1,120
Hedging reserve		**(5)**	(10)
Accumulated profits		**5,862**	5,451
Equity attributable to owners of the Company		**10,553**	9,969
Non-controlling interests		**351**	267
		10,904	10,236

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013
Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Surplus account	Capital reserve	Exchange reserve	Hedging reserve	Accumulated profits	Total	Non-controlling interests	Total
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 19)*	–	–	–	–	–	–	–	–	–	–	(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
Balance as at 1 April 2013 (audited)	280	2,396	157	–	38	537	1,120	(10)	5,451	9,969	267	10,236
Profit for the period	–	–	–	–	–	–	–	–	719	719	87	806
Exchange differences arising on translation	–	–	–	–	–	–	151	–	–	151	9	160
Fair value loss on available-for-sale financial assets	–	–	–	(19)	–	–	–	–	–	(19)	–	(19)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	19	–	–	–	–	–	19	–	19
Fair value loss on cash flow hedges	–	–	–	–	–	–	–	(3)	–	(3)	–	(3)
Loss on cash flow hedges reclassified to profit and loss	–	–	–	–	–	–	–	8	–	8	–	8
Total comprehensive income for the period	–	–	–	–	–	–	151	5	719	875	96	971
Recognition of equity-settled share-based payments	–	–	17	–	–	–	–	–	–	17	–	17
Dividend recognised as distribution *(note 10)*	–	–	–	–	–	–	–	–	(308)	(308)	–	(308)
Adjustment arising from obligations from put options written to non-controlling interests *(note 19)*	–	–	–	–	–	–	–	–	–	–	(29)	(29)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	17	17
Balance as at 30 September 2013 (unaudited)	280	2,396	174	–	38	537	1,271	(5)	5,862	10,553	351	10,904

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013
Amounts expressed in millions of Hong Kong dollars

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**3,639**	1,692
NET CASH USED IN INVESTING ACTIVITIES		
Dividend received	**46**	5
Interest received	**44**	27
Purchase of property, plant and equipment	**(904)**	(453)
Proceeds on disposal of property, plant and equipment	**–**	11
Investment in a joint venture	**(25)**	(10)
Proceeds on disposal of a joint venture	**4**	–
Investments in available-for-sales investments	**(41)**	(8)
Proceeds on disposal of available-for-sales investments	**2**	1
Advances to staffs	**48**	26
Repayments from staffs	**(26)**	(16)
Government grant received related to assets	**48**	203
Placement of pledged bank deposits	**(397)**	(73)
Withdrawal of pledged bank deposits	**129**	124
Placement of structured bank deposits	**–**	(99)
Withdrawal of structured bank deposits	**–**	206
	(1,072)	(56)
NET CASH USED IN FINANCING ACTIVITIES		
Dividends paid	**–**	(17)
Interest paid	**(134)**	(53)
Issue of shares through exercise of share options	**–**	10
Contributions from non-controlling interests	**17**	4
New bank borrowings raised	**6,586**	6,360
Repayment of bank borrowings	**(8,138)**	(6,393)
Repayment of borrowings from discounted bills with recourse	**–**	(365)
Cash paid on settlement of cross-currency interest rate swap	**(8)**	(6)
Proceeds on disposal of partial interests in subsidiaries without losing control	**–**	19
	(1,677)	(441)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**890**	1,195
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	**2,301**	2,164
Effect of foreign exchange rate changes	**43**	–
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER, represented by bank balances and cash	**3,234**	3,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013.

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 2013.

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 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 did not have significant impact on amounts reported in the condensed consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of HKFRS 11 did not have significant impact on amounts reported in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES — *continued*

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 23.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive income*

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit and loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 *Interim Financial Reporting*

(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009 — 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Since there has not been a significant change on the assets and liabilities of the Group's reportable segments (neither for a particular reportable segment or aggregated as a whole) comparing with the amounts disclosed in the consolidated financial statements for the year ended 31 March 2013, the Group has not included total assets and liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported 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	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Manufacture and sales of TV products	**15,410**	13,338
Manufacture and sales of digital set-top boxes	**2,162**	1,835
Processing income and sales of liquid crystal display ("LCD") modules	**496**	215
Manufacture and sales of white appliances	**1,122**	454
Property rental income	**40**	36
Sales of properties	**30**	–
Others	**762**	511
	20,022	16,389

4. SEGMENT INFORMATION

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

For the six months ended 30 September 2013

	TV products (PRC market) *HK$ million*	TV products (Overseas market) *HK$ million*	Digital set-top boxes *HK$ million*	LCD modules *HK$ million*	White appliances *HK$ million*	Property holding *HK$ million*	Others *HK$ million*	Eliminations *HK$ million*	Total *HK$ million*
Turnover									
Segment revenue from external customers	13,632	1,778	2,162	496	1,122	40	792	–	20,022
Inter-segment revenue	203	–	–	613	–	6	163	(985)	–
Total segment revenue	13,835	1,778	2,162	1,109	1,122	46	955	(985)	20,022
Results									
Segment results	763	(42)	263	96	96	24	(31)	–	1,169
Interest income									43
Unallocated corporate expenses less income									(156)
Finance costs									(83)
Share of results of associates									1
Share of results of joint ventures									(1)
Consolidated profit before taxation of the Group									973

4. SEGMENT INFORMATION — *continued*

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*	White appliances *HK$ million*	Property holding *HK$ million*	Others *HK$ million*	Eliminations *HK$ million*	Total *HK$ million*
Turnover									
Segment revenue from external customers	12,159	1,179	1,835	215	454	36	511	–	16,389
Inter-segment revenue	172	–	–	413	–	5	83	(673)	–
Total segment revenue	12,331	1,179	1,835	628	454	41	594	(673)	16,389
Results									
Segment results	670	1	226	69	31	20	(63)	–	954
Interest income									28
Unallocated corporate expenses less income									(138)
Finance costs									(67)
Share of results of associates									1
Share of results of joint ventures									(4)
Consolidated profit before taxation of the Group									774

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

Inter-segment revenue is charged at prevailing market rates.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Other gains and losses comprise:		
Exchange gain (loss), net	**80**	(17)
Gain (loss) from changes in fair value of derivative financial instruments *(note 16)*	**1**	(8)
Impairment loss recognised in respect of available-for-sale investments *(note 13)*	**(19)**	–
Loss from changes in fair value of financial assets classified as held for trading	**–**	(1)
Loss on disposal of property, plant and equipment	**(13)**	(6)
Special allowance for inventories *(Note)*	**(111)**	–
	(62)	(32)

Note: The Group had delivered certain inventories to an overseas customer with carrying amount of approximately HK$111 million. The management considers that the title of the inventories is not yet passed to the customer as according to the shipping terms. Such overseas customer went bankruptcy during the current period. Both the Group and the overseas customer claiming the ownership over the inventories and the inventories were withheld by the custom in that country. As the recoverability of those inventories becomes uncertain, full allowance of HK$111 million was made in the current period.

6. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Finance costs comprise:		
Interest on bank borrowings wholly repayable within five years	**70**	56
Imputed interest expenses on obligations arising from put options written to non-controlling interests *(note 19)*	**13**	11
	83	67

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Income tax expense comprises:		
People's Republic of China (the "PRC") income tax		
Current period	**185**	158
Overprovision in prior periods	**(16)**	–
	169	158
Deferred taxation	**(2)**	(2)
	167	156

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.

For those subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on a few subsidiaries of the Company for the years of assessments from 2002/2003 onwards in 2011. Up to 30 September 2013, estimated additional assessments for the years of assessment 2002/2003 to 2006/2007 were issued to the relevant subsidiaries. The amounts of tax were held over on condition that tax reserve certificate in the aggregate amount of HK$7,900,000 (as at 31 March 2013: HK$7,900,000) were purchased up to 30 September 2013. Since the tax audit is at the fact finding stage with information and documents submitted are currently being reviewed by the IRD and views are being/will be exchanged with the IRD, in the opinion of the directors of the Company, the outcome and impact of this matter is not material to the condensed consolidated financial statements.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*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$8 million (for the six months ended 30 September 2012: HK$50 million)	**16,149**	13,071
Cost of stock of properties recognised as an expense	**22**	–
Depreciation of property, plant and equipment	**172**	142
Dividend income from		
— unlisted investments	**(2)**	(5)
Government grants		
— related to assets	**(20)**	(33)
— related to expense items	**(63)**	(49)
— related to value-added-tax (“VAT”) refund	**(182)**	(67)
Impairment loss on trade receivables	**37**	23
Interest income:		
Interest income from bank deposits	**(42)**	(23)
Imputed interest income from		
— trade receivables from settlement on instalments	**(1)**	(1)
— other receivable *(note 12)*	**–**	(4)
	(43)	(28)
Release of prepaid lease payments on land use rights	**5**	5
Rental income from leasing of properties less related outgoings of HK$18 million (for the six months ended 30 September 2012: HK$17 million)	**(22)**	(19)
Staff costs, including directors’ emoluments	**1,608**	1,334

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	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**719**	569
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,803,909,983**	2,696,973,195
Effect of dilutive potential ordinary shares in respect of share options outstanding	**4,411,991**	18,250,057
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,808,321,974**	2,715,223,252

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 2013, a dividend of HK11 cents per share, amounting to HK$308 million in total, was distributed to shareholders on 18 October 2013 as the final dividend for the year ended 31 March 2013. 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 20 August 2013. Of such final dividend, an aggregate amount of HK$5 million would be 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 2012, a dividend of HK10 cents per share, amounting to HK$271 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2012. Of such final dividend, an aggregate of HK$185 million would be 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 HK8.5 cents per share for the year ending 31 March 2014, amounting to HK$239 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 12 December 2013 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 2013, the Group had incurred approximately HK$530 million (for the six months ended 30 September 2012: approximately HK$282 million) in construction in progress, mainly for the development of factory buildings and an office premise situated on land in the PRC held under medium-term leases, and spent approximately HK$333 million (for the six months ended 30 September 2012: approximately HK$111 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 6 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 5 June 2013. In the current interim period, such receivable is reclassified to current asset under "trade and other receivables, deposits and prepayments" (note 14) as the Group decides to exercise such options within one year from the end of the reporting period.

13. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30 September 2013, the Group invested HK$41 million (for the six months ended 30 September 2012: HK$8 million) 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 impairment loss of HK$19 million (for the six months ended 30 September 2012: nil) is required to be made.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales of TV products, LCD modules and white appliances in the PRC are generally settled by payment on delivery or bills issued by banks with maturity dates ranging from 90 to 180 days. Sales to certain retailers in the PRC are made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

For sales of digital set-top boxes, the credit terms are normally ranging from 90 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 by letters of credit with credit term ranging from 30 to 90 days.

14. 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 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
Within 30 days	**2,659**	1,784
31 to 60 days	**456**	387
61 to 90 days	**285**	325
91 to 365 days	**1,232**	934
Over 365 days	**416**	413
Trade receivables	**5,048**	3,843
Deposits paid for advertisement	**186**	90
Purchase deposits paid for materials	**349**	360
Receivables from government for refunds paid to customers on buying energy-saving products	**1,016**	1,208
VAT receivables	**294**	329
Other receivable relating to the unlisted equity securities *(note 12)*	**108**	–
Other deposits paid, prepayments and other receivables	**540**	383
	7,541	6,213

15. BILLS RECEIVABLE

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

	As at 30 September 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
Within 30 days	**1,306**	1,388
31 to 60 days	**596**	1,267
61 to 90 days	**1,200**	2,108
91 days or over	**4,454**	3,519
Bills endorsed to suppliers with recourse	**658**	1,491
	8,214	9,773

15. BILLS RECEIVABLE — *continued*

The carrying values of bills endorsed to suppliers with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group has not transferred the substantially risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. Accordingly, the payable associated with such bills as disclosed in note 17 are not derecognised in the condensed consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers 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.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
— Performance swap contract *(Note 1)*	**(1)**	–
— Target redemption forward contract *(Note 2)*	**2**	–
Derivative under hedge accounting:		
— Cross-currency interest rate swap *(Note 3)*	**(5)**	(10)

	Six months ended 30 September	
	2013 (unaudited) *HK$ million*	2012 (unaudited) *HK$ million*
Gain (loss) from changes in fair value of derivative financial instruments comprise:		
— Foreign currency forward contracts	**–**	(2)
— Performance swap contract *(Note 1)*	**(1)**	(6)
— Target redemption forward contracts *(Note 2)*	**2**	–
	1	(8)

16. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

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

	As at 30 September 2013 (unaudited) ***HK$ million***	As at 31 March 2013 (audited) *HK$ million*
Assets		
Target redemption forward contract	**2**	–
Liabilities		
Performance swap contract	**(1)**	–
Cross-currency interest rate swap	**(5)**	(10)
	(6)	(10)

Note 1: Performance swap contract

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

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

- the interest rate swap with notional amount of US$50,000,000 has interest payments in US$ at US$-London Interbank Offered Rate ("LIBOR")-BBA per annum capped at 0.6% per annum and floating interest receipts in US$ at 1.5% plus US$-LIBOR-BBA per annum for periods up to March 2014; and

- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2015, save for the event leading to the knock-out and termination contract as discussed below.

  At each expiry dates:

  (i) if the US$ to RMB spot exchange rate (the "Spot Rates 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 6.200 to 6.340, 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

  (ii) if the Spot Rates 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 Rates 1 and the Strike Rates times a notional amount of US$15 million, settled in US$ equivalent. There are no knock-out and termination features for losses.

16. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

Note 1: Performance swap contract — *continued*

Loss from change in fair value of HK$1 million in respect of this contract has been recognised in profit or loss for the six months ended 30 September 2013.

During the six months ended 30 September 2012, loss from change in fair value of HK$6 million in respect of another performance swap contract had been recognised in profit or loss. Such contract was knocked-out and terminated in the year ended 31 March 2013.

Note 2: Target redemption forward contract

During the six months ended 30 September 2013, 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 in US$.

The target redemption forward contract comprises non-deliverable settlement on a monthly basis and measured at 18 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 Rates 2") is less than or equal to the lower barrier rate (buy US$/sell RMB at 6.2700, the "Lower Barrier Rate"), the Group would receive a net settlement calculated based on the difference between the Spot Rates 2 and the Lower Barrier Rate times a notional amount of US$5 million, settled in RMB equivalent.

    The contract would be knocked-out and terminated when the Spot Rates 2 is less than or equal to 6.1100 or when Spot Rates 2 over Lower Barrier Rate is greater than or equal to 0.3 in aggregate as stipulated in the contract;

(ii) if the Spot Rates 2 is greater than the upper barrier rate (buy US$/sell RMB at 6.3500, the "Upper Barrier Rate"), the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 2 and the Lower Barrier Rate times a notional amount of US$3 million, settled in RMB equivalent; and

(iii) if the Spot Rates 2 is greater than the Lower Barrier Rate and less than or equal to the Upper Barrier Rate, there would have no settlement.

A gain of HK$2 million in respect of such contract had been recognised in profit or loss during the six months ended 30 September 2013.

16. DERIVATIVE FINANCIAL INSTRUMENTS — *continued*

Note 3: 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 US$-LIBOR-BBA 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.

Loss from changes in fair value of HK$3 million (for the six months ended 30 September 2012: gain from changes in fair value of HK$1 million) has been recognised in other comprehensive income and accumulated in hedging reserve and HK$8 million (for the six months ended 30 September 2012: HK$6 million) 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$26,666,667 (equivalent to HK$207 million) (as at 31 March 2013: US$40,000,000 (equivalent to HK$311 million)).

17. 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 2013 (unaudited) ***HK$ million***	As at 31 March 2013 (audited) *HK$ million*
Within 30 days	**3,874**	2,425
31 to 60 days	**507**	766
61 to 90 days	**573**	650
91 days or over	**233**	356
Trade payables under endorsed bills	**658**	1,491
Trade payables	**5,845**	5,688
Accrued selling and distribution expenses	**501**	375
Accruals and other payables	**683**	509
Accrued staff costs	**530**	826
Deposits received for sales of goods	**1,185**	963
Deposits received for sales of properties	**106**	16
Other deposits received	**418**	371
Other taxes payable	**168**	117
Payables for purchase of property, plant and equipment	**86**	110
Sales rebate payable	**572**	513
VAT payable	**115**	98
	10,209	9,586

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

18. BILLS PAYABLE

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

	As at 30 September 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
Within 30 days	**775**	509
31 to 60 days	**488**	417
61 to 90 days	**541**	235
91 days or over	**1,427**	538
	3,231	1,699

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

19. 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 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
At the beginning of the period/year	**410**	362
Imputed interest expenses for the period/year	**13**	23
Changes in estimated redemption price regarding put options to the employees recognised in equity	**29**	31
Dividends paid for the period/year	**–**	(11)
Exchange realignment	**5**	5
At the end of the period/year	**457**	410

20. BANK BORROWINGS

	As at 30 September 2013 (unaudited) *HK$ million*	As at 31 March 2013 (audited) *HK$ million*
Bank borrowings comprise the following:		
Secured	**1,159**	3,282
Unsecured	**3,081**	2,524
	4,240	5,806
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	**52**	155
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**3,845**	5,426
More than one year but not more than five years	**343**	225
	4,188	5,651
Subtotal	**4,240**	5,806
Less: Amounts due within one year shown under current liabilities	**(3,897)**	(5,581)
Amounts shown under non-current liabilities	**343**	225

21. SHARE CAPITAL

	Number of shares		Share capital	
	1 April 2013 to 30 September 2013	1 April 2012 to 31 March 2013	**1 April 2013 to 30 September 2013 (unaudited)**	1 April 2012 to 31 March 2013 (audited)
			HK$ million	*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	**2,803,431,469**	2,692,535,523	**280**	269
Issue of shares upon exercise of share options	**864,000**	20,945,000	**–**	2
Issue of shares under scrip dividend scheme	**–**	89,950,946	**–**	9
At end of the period/year	**2,804,295,469**	2,803,431,469	**280**	280

22. 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$17 million (for the six months ended 30 September 2012: 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 April 2013 to 30 September 2013		1 April 2012 to 31 March 2013	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at the beginning of the period/year	**70,165,500**	**4.271**	150,739,500	2.660
Granted during the period/year	**24,500,000**	**4.178**	1,100,000	4.582
Exercised during the period/year	**(864,000)**	**0.478**	(20,945,000)	0.607
Lapsed during the period/year	**–**	**–**	(60,729,000)	1.541
Outstanding at the end of the period/year	**93,801,500**	**4.282**	70,165,500	4.271

22. SHARE-BASED PAYMENTS — *continued*

Note (i): Share options — *continued*

Share option expenses charged to profit or loss are based on valuation determined using binomial model at the date of grant. Share options granted in current period were valued based on the following assumptions:

Date of grant	Number of share options granted	Vesting period	Exercisable period	Fair value per option	Total fair value of options granted *HK$*	Closing share price at date of grant *HK$*	Exercise price *HK$*	Expected volatility *%*	Dividend yield *%*	Expected interest rate *%*	Risk free sub-optimal factor
28 June 2013	2,000,000	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.4986	2,997,200	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.4978	2,995,600	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4930	2,986,000	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4828	2,965,600	3.92	3.982	59.9810	4.2784	1.2957	11.99
28 June 2013	2,000,000	28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4687	2,937,400	3.92	3.982	59.9810	4.2784	1.2957	11.99
	10,000,000				14,881,800						
29 July 2013	260,000	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5016	390,416	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5011	390,286	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4976	389,376	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4894	387,244	3.99	3.99	59.3510	4.2784	1.0239	12.84
29 July 2013	260,000	29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4774	384,124	3.99	3.99	59.3510	4.2784	1.0239	12.84
	1,300,000				1,941,446						
9 September 2013	240,000	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5852	380,448	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5848	380,352	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.5816	379,584	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.5733	377,592	4.21	4.368	59.5720	4.2784	1.8483	12.84
9 September 2013	240,000	9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.5608	374,592	4.21	4.368	59.5720	4.2784	1.8483	12.84
	1,200,000				1,892,568						
9 September 2013	2,500,000	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.5891	3,972,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.5886	3,971,500	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.5847	3,961,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
9 September 2013	2,500,000	9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.5751	3,937,750	4.21	4.368	59.5720	4.2784	1.8483	11.99
	10,000,000				15,843,750						
19 September 2013	400,000	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	1.4272	570,880	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	1.4269	570,760	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	1.4241	569,640	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	1.4167	566,680	3.94	4.212	59.1450	4.2784	1.3702	12.84
19 September 2013	400,000	19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	1.4055	562,200	3.94	4.212	59.1450	4.2784	1.3702	12.84
	2,000,000				2,840,160						
	24,500,000				37,399,724						

22. SHARE-BASED PAYMENTS — *continued*

Note (i): Share options — *continued*

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

The Group recognised in the total expense of HK$17 million for the period (for the six months ended 30 September 2012: 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

For the six months ended 30 September 2012, the Group recognised in the total expense of HK$4 million in relation to sale of Skyworth Digital Technology (Shenzhen) Company Limited ("SSDT") shares.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS — *continued*

Financial assets/ liabilities	Fair value as at 30 September 2013 *HK$ million*	Fair value as at 31 March 2013 *HK$ million*	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets:				
Listed equity securities	**71**	83	Level 1	Quoted bid prices in an active market
Derivative financial instruments:				
Performance swap contract	**(1)**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Target redemption forward contract	**2**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross-currency interest rate swap	**(5)**	(10)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between different levels of the fair value hierarchy for the period ended 30 September 2013.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

No changes in the business or economic circumstances that significantly affect the fair value of financial instruments is considered by the directors of the Company.

24. PLEDGE OF ASSETS

As at 30 September 2013, the Group's bank borrowings and bills payable 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$73 million (as at 31 March 2013: HK$76 million) and HK$21 million (as at 31 March 2013: HK$50 million) respectively; and

(b) pledged bank deposits of HK$891 million (as at 31 March 2013: HK$623 million).

In addition, there were bills receivable endorsed to suppliers with recourse of HK$658 million (as at 31 March 2013: HK$1,491 million) as disclosed in note 15.

25. CAPITAL AND OTHER COMMITMENTS

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

	As at 30 September 2013 (unaudited) ***HK$ million***	As at 31 March 2013 (audited) *HK$ million*
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**84**	52
Factory buildings and office premise under development	**374**	762
Investment in an available-for-sale investment	**880**	880
	1,338	1,694
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	**–**	5
Factory buildings and office premise under development	**350**	–
	350	5

26. CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of business of the Group. The Group is in the course of processing these matters. The directors 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.

27. RELATED PARTY TRANSACTIONS

Trading transactions

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

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Joint ventures		
Advertising and promotional expenses paid	**1**	6
Purchases of finished goods	**21**	–
Purchases of raw materials	**15**	10
Sales of finished goods	**8**	–
Sales of raw materials	**1**	3
Associates		
Purchases of raw materials	**59**	41
Sales of finished goods	**100**	–

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	
	2013	2012
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Short-term benefits	**32**	29
Share-based payments	**9**	9

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.

28. EVENT AFTER THE REPORTING PERIOD

On 21 October 2013, Skyworth Electrical Appliances (Shenzhen) Co., Ltd. ("Skyworth Electrical") and Shenzhen Skyworth Properties Limited ("Skyworth Properties"), indirect wholly-owned subsidiaries of the Company, entered into a cooperation agreement with COFCO Properties Group Shenzhen Real Estate Development Co., Ltd. ("COFCO Properties") in relation to the land situated in Shenzhen Gongming Town in the PRC at an agreed consideration of RMB 1.65 billion. Under the cooperation agreement, Skyworth Electrical and Skyworth Properties have agreed, to (1) relocate all of their existing production facilities and machineries currently situated on the land to another location in the PRC; (2) vacate all of the existing properties and buildings situated on the land; and (3) work together with COFCO Properties to facilitate a specific project company nominated by COFCO Properties to apply to become the named developer of the land and to obtain the land planning permit (the "Conditions"). Such transaction is subject to the approvals from the relevant PRC government authorities and the fulfillment of the Conditions by Skyworth Electrical and Skyworth Properties.

On 21 November 2013, the Group announced the approval from the China Securities Regulatory Commission in respect of the transaction relating to its injection of digital set-top boxes business to China Resources Jinhua Co., Ltd. ("China Resources Jinhua"), a joint stock limited company established under the law of the PRC whose A shares are listed on The Shenzhen Stock Exchange, in exchange for certain equity interest in China Resources Jinhua, has not been granted. The Group is in discussion with China Resources Jinhua and its controlling shareholder, and the non-controlling shareholders of SSDT, as to the steps going forward the transaction.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SKYWORTH DIGITAL HOLDINGS LIMITED
創維數碼控股有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 43, which comprise the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statement of profit or loss and other 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

25 November 2013

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 2013 of HK8.5 cents (2012: HK7.0 cents) per ordinary share, totaling approximately HK$239 million (2012: HK$194 million) to the shareholders of the Company on or around 27 January 2014 whose names appear on the register of members of the Company at the close of business on 12 December 2013. 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 2013, 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 2013, 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		8,080,298	0.29%
	Held by spouse	*(Note b)*	959,980,801	34.23%
		(Note c)	968,061,099	34.52%
Yang Dongwen	Beneficial owner		15,000,305	0.53%
Lu Rongchang	Beneficial owner		3,291,005	0.12%
Leung Chi Ching, Frederick	Beneficial owner		2,018,000	0.07%
Shi Chi	Beneficial owner		1,166,316	0.04%
Li Weibin	Beneficial owner		1,000,000	0.04%
So Hon Cheung, Stephen	Beneficial owner		161,273	0.01%

Note a: 884,224,766 shares are held by Target Success Group (PTC) Limited (“Target Success”) in its capacity as trustee of the Skysource Unit Trust(the “Trust”) All of the units of the Trust and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 884,224,766 ordinary shares of the Company.

Note b: Ms. Lin Wei Ping is interested in 968,061,099 ordinary shares of the Company, which comprise 8,080,298 shares held by herself, the deemed interests in 959,980,801 shares held by her spouse Mr. Wong Wang Sang, Stephen.

Note c: Mr. Wong Wang Sang, Stephen is interested in 968,061,099 ordinary shares of the Company, which comprise 75,756,035 shares held by himself, the deemed interests in 884,224,766 shares held by Target Success Group (PTC) Limited and the deemed interests in 8,080,298 shares held by her spouse Ms. Lin Wei Ping.

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

(b) Share options of the Company

As at 30 September 2013, 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
Yang Dongwen	Beneficial owner	15,000,000
Chan Wai Kay, Katherine	Beneficial owner	10,000,000
Lu Rongchang	Beneficial owner	8,000,000
Shi Chi	Beneficial owner	8,000,000
		41,000,000

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 2013, 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 2013.

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 2013, 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	Percentage of the issued share capital of the Company
Long positions			
Target Success Group (PTC) Limited	Trustee *(Note a)*	884,224,766	31.53%
Wong Wang Sang, Stephen	Beneficial owner	75,756,035	2.70%
	Held by spouse *(Note b)*	8,080,298	0.29%
	Interest of corporation controlled *(Note a)*	884,224,766	31.53%
		968,061,099	34.52%
Lin Wei Ping	Beneficial owner	8,080,298	0.29%
	Held by spouse *(Note c)*	959,980,801	34.23%
		968,061,099	34.52%
JP Morgan Chase & Co.	Beneficial owner	1,225,209	0.04%
	Investment Manager	87,877,053	3.14%
	Custodian corporation/ approved lending agent	51,298,828	1.83%
		140,401,090	5.01%
Short positions			
JP Morgan Chase & Co.	Beneficial owner	10,000	0.00%
Lending pool			
JP Morgan Chase & Co.	Custodian corporation/ approved lending agent	51,298,828	1.83%

Note a: 884,224,766 shares are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust (the "Trust") All of the units of the Trust and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 884,224,766 ordinary shares of the Company.

Note b: Mr. Wong Wang Sang, Stephen is interested in 968,061,099 ordinary shares of the Company, which comprise 75,756,035 shares held by himself, the deemed interests in 884,224,766 shares held by Target Success and the deemed interests in 8,080,298 shares held by her spouse Ms. Lin Wei Ping.

Note c: Ms. Lin Wei Ping is interested in 968,061,099 ordinary shares of the Company, which comprise 8,080,298 shares held by herself, the deemed interests in 959,980,801 shares held by her spouse Mr. Wong Wang Sang, Stephen.

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 2013.

SHARE OPTIONS

The following tables showed the movements in the Company's share options granted to the directors and employees and/or consultants under 2008 Share Option Scheme during the period ended 30 September 2013:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding at 1 April 2013	Granted during the period	Exercised/cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2013
Directors:								
Yang Dongwen								
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
28 June 2013	3.982	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,000,000	–	–	2,000,000
		28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	2,000,000	–	–	2,000,000

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 2013	Granted during the period	Exercised/cancelled during the period (*Note a*)	Lapsed during the period	Outstanding at 30 September 2013
Directors: — *continued*								
Chan Wai Kay, Katherine								
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	2,500,000	–	–	2,500,000
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	2,500,000	–	–	2,500,000
Lu Rongchang								
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

SHARE OPTIONS — *continued*

Under 2008 Share Option Scheme — continued

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the period	Exercised/ cancelled during the period *(Note a)*	Lapsed during the period	Outstanding at 30 September 2013
Directors: — *continued*								
Lu Rongchang — *continued*								
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
Shi Chi								
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	–	–	–	600,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	600,000	–	–	–	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

SHARE OPTIONS — *continued*

Under 2008 Share Option Scheme — continued

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the period	Exercised/ cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2013
Directors: — *continued*								
Shi Chi – *continued*								
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	–	1,000,000
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	1,000,000	–	–	–	1,000,000
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	1,000,000	–	–	–	1,000,000
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	1,000,000	–	–	–	1,000,000
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	1,000,000
				21,000,000	20,000,000	–	–	41,000,000
Employees/Consultants:								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	404,500	–	(39,000)	–	365,500
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	738,500	–	(100,000)	–	638,500
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	1,164,500	–	(228,000)	–	936,500
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	2,834,000	–	(475,000)	–	2,359,000

SHARE OPTIONS — *continued*

Under 2008 Share Option Scheme — continued

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the period	Exercised/ cancelled during the period *(Note a)*	Lapsed during the period	Outstanding at 30 September 2013
Employees/Consultants: — *continued*								
26 November 2008	0.415	26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	24,000	–	–	–	24,000
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	8,400,000	–	(22,000)	–	8,378,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	8,400,000	–	–	–	8,400,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	8,400,000	–	–	–	8,400,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	8,400,000	–	–	–	8,400,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	8,400,000	–	–	–	8,400,000
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	120,000
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	120,000	–	–	–	120,000

SHARE OPTIONS — *continued*

Under 2008 Share Option Scheme — continued

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding at 1 April 2013	Granted during the period	Exercised/ cancelled during the period *(Note a)*	Lapsed during the period	Outstanding at 30 September 2013
Employees/Consultants: — *continued*								
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	60,000	–	–	–	60,000
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	60,000	–	–	–	60,000
29 November 2012	4.582	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	220,000	–	–	–	220,000
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	220,000	–	–	–	220,000
		29 November 2012 to 31 August 2015	1 September 2015 to 30 September 2018	220,000	–	–	–	220,000
		29 November 2012 to 31 August 2016	1 September 2016 to 30 September 2018	220,000	–	–	–	220,000
		29 November 2012 to 31 August 2017	1 September 2017 to 30 September 2018	220,000	–	–	–	220,000

SHARE OPTIONS — *continued*

Under 2008 Share Option Scheme — continued

Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2013	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2013
	HK$					*(Note a)*		
Employees/Consultants: — *continued*								
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	260,000	–	–	260,000
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	260,000	–	–	260,000
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	260,000	–	–	260,000
		29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	260,000	–	–	260,000
		29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	260,000	–	–	260,000
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	240,000	–	–	240,000
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	240,000	–	–	240,000
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	240,000	–	–	240,000
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	240,000	–	–	240,000
		9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	240,000	–	–	240,000

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 2013	Granted during the period	Exercised/cancelled during the period *(Note a)*	Lapsed during the period	Outstanding at 30 September 2013
Employees/Consultants: — *continued*								
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	400,000	–	–	400,000
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	–	400,000	–	–	400,000
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	400,000	–	–	400,000
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	–	400,000	–	–	400,000
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	–	400,000	–	–	400,000
				49,165,500	4,500,000	(864,000)	–	52,801,500
				70,165,500	24,500,000	(864,000)	–	93,801,500

Note a: The weighted average closing prices of the Company's shares immediately before the date on which the share options were exercised during the six months ended 30 September 2013 was HK$5.20.

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

During the six months ended 30 September 2013, 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 2013.

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").

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 2012/13.

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 2012/13. 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 fifteen members, including executive directors and senior management of the Company. During the period and up to the date of this report, the Executive Committee had held monthly meetings to review and evaluate the budget and the monthly and quarterly business performance of each major subsidiary within the Group, and discussed other business and operational matters.

Nomination Committee and Remuneration Committee

The Nomination Committee and Remuneration Committee were both set up under the auspices of the Board on 5 February 2005.

The Nomination Committee currently comprises four members, including Mr. Sun Shengdian (Chairperson), Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine. Except that Ms. Chan Wai Kay, Katherine 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 (Chairperson), Mr. So Hon Cheung, Stephen, Mr. Sun Shengdian 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 four meetings to review the composition of the Board, to review the re-designation of the director for the Board and to nominate an independent non-executive director for the Board. The Remuneration Committee held four meetings to review the compensation and incentive package of the senior management of the Group to review the amount of bonus payable to senior management by the Group for the year ended 31 March 2013, to approve the grant of option for the Board and to approve the directors' service contract due to the re-designation and the appointment.

BOARD COMMITTEES — *continued*

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 (Chairperson), Mr. Li Weibin and Mr. Sun Shengdian, 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 two 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 Department

The Risk Management Department was established at the end of 2005 with its major duty to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administration in the achievement of the organizational goals and objectives by striving to provide a positive impact on:

(a) efficiency and effectiveness of operating functions;

(b) reliability of financial reporting;

(c) status of implementation and effectiveness of the internal control policies and procedures; and

(d) compliance with applicable laws and regulations.

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 December 2013 to Monday, 16 December 2013, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 27 January 2014, 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 Shops 1712–16 Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong not later than 4:30 p.m. on Monday, 9 December 2013.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises Ms. Lin Wei Ping as executive chairperson of the Board, Mr. Yang Dongwen as executive director and the chief executive officer, Mr. Lu Rongchang, Mr. Leung Chi Ching, Frederick, Mr. Shi Chi and Ms. Chan Wai Kay, Katherine as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Sun Shengdian as independent non-executive directors.

On behalf of the Board

Lin Wei Ping
Executive Chairperson

25 November 2013