

# Skyworth

## 創維數碼控股有限公司 SKYWORTH DIGITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

# Skyworth 创维



## Interim Report 2014/15

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## FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		Change
	2014 (unaudited)	2013 (unaudited)	
<b>OPERATING RESULTS</b>			
Turnover	18,478	20,022	-7.7%
Operating Profit (EBIT)	1,171	1,043	+12.3%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1,406	1,220	+15.2%
Net Profit for the period	908	806	+12.7%
Profit attributable to owners of the Company	824	719	+14.6%
<b>FINANCIAL POSITION</b>			
Net cash from operating activities	2,254	3,639	-38.1%
Cash position*	4,352	4,150	+4.9%
Bank borrowings	3,618	4,240	-14.7%
Bank borrowings excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	2,892	4,088	-29.3%
Equity attributable to owners of the Company	11,745	10,553	+11.3%
Working capital	7,320	6,966	+5.1%
Bills receivable	6,866	8,214	-16.4%
Trade receivables	5,976	5,048	+18.4%
Inventories	5,302	5,003	+6.0%
<b>KEY RATIOS</b>			
Gross profit margin (%)	19.5%	19.1%	+0.4pp
Operating profit (EBIT) margin (%)	6.3%	5.2%	+1.1pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	7.6%	6.1%	+1.5pp
Profit margin (%)	4.9%	4.0%	+0.9pp
Return on equity (ROE) (%)	14.0%	13.6%	+0.4pp
Debt to equity (%)**	27.7%	38.9%	-11.2pp
Debt to equity excluding the financial liabilities arising from discounted bills and foreign exchange arrangements (%)	22.1%	37.5%	-15.4pp
Net debt to equity***	Net Cash	Net Cash	N/A
Current ratio (times)	1.4	1.4	0.0%
Trade receivable turnover period (days)****	135	122	+10.7%
Inventories turnover period (days)****	59	57	+3.5%
<b>DATA PER SHARE (HK CENTS)</b>			
Earnings per share – Basic	29.13	25.64	+13.6%
Earnings per share – Diluted	29.09	25.60	+13.6%
Dividend per share	9.50	8.50	+11.8%
Book value per share	414.87	376.36	+10.2%
<b>SHARE INFORMATION AT FINANCIAL PERIOD END</b>			
Skyworth Digital Holdings Limited (Shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	2,831	2,804	+1.0%
Market capitalisation	11,409	10,376	+10.0%
Skyworth Digital Co., Limited (Share are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	499	N/A	N/A
Market capitalisation	12,506	N/A	N/A

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

\*\* Bank borrowings/equity at period end

\*\*\* Calculated based on (cash position + bills receivable – bank borrowings)/equity at period end

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

## CORPORATE INFORMATION

### **BOARD OF DIRECTORS**

#### *Executive Directors (“EDs”)*

Ms. Lin Wei Ping (*Executive Chairperson*)  
 Mr. Yang Dongwen (*Chief Executive Officer*)  
 Mr. Lu Rongchang  
 Mr. Shi Chi  
 Ms. Chan Wai Kay, Katherine

#### *Independent Non-executive Directors (“INEDs”)*

Mr. So Hon Cheung, Stephen  
 Mr. Li Weibin  
 Mr. Wei Wei

### **MEMBERS OF COMMITTEES**

#### *Audit Committee*

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

#### *Executive Committee*

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

#### *Nomination Committee*

Mr. Wei Wei (*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. Wei Wei  
 Ms. Lin Wei Ping

### **COMPANY SECRETARY**

Mr. Lam Shing Choi, Eric

### **AUDITOR**

Deloitte Touche Tohmatsu

### **LEGAL ADVISOR**

Reed Smith Richards Butler  
 Michael Li & Co.

### **PRINCIPAL BANKERS**

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**

Codan Services Limited  
 Clarendon House  
 2 Church Street  
 Hamilton HM 11  
 Bermuda

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Hong Kong Registrars Limited  
 Rooms 1712–16  
 Hopewell Centre  
 183 Queen’s Road East  
 Wan Chai, Hong Kong

### **SHARE LISTING**

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

### **IMPORTANT INFORMATION FOR 2014/2015**

#### *Results Announcement Date*

Interim Results: 24 November 2014 (Monday)

#### *Important Details for Interim Dividend*

#### *Dividend Per Share*

HK 9.5 cents, with scrip option

#### *Closure Period of the Register of Members*

From 10 December 2014 (Wednesday) to  
 12 December 2014 (Friday), both days inclusive

#### *Scrip Price Fixing Period*

From 8 December 2014 (Monday) to  
 12 December 2014 (Friday), both days inclusive

#### *Record Date*

12 December 2014 (Friday)

#### *Dividend Payment Date*

Around 30 January 2015 (Friday)

### **COMPANY WEBSITE**

[Http://www.skyworth.com](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 2014 (the “Period”):

- Turnover amounted to HK\$18,478 million (80.4% from mainland China market), representing a decrease of 7.7% compared to the same period last year.
- Sales of television products and digital set-top boxes accounted for 72.7% and 12.3% of the Group’s total turnover, respectively.
- Gross profit achieved HK\$3,612 million, decreased by 5.8%; the gross profit margin was 19.5%, increased by 0.4 percentage point compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Period were HK\$908 million and HK\$824 million, respectively, increased by 12.7% and 14.6%, respectively, on a year-on-year basis.
- The Board has proposed an interim dividend of HK9.5 cents per share with an option to elect scrip dividend in lieu of cash.

### ***BUSINESS PERFORMANCE REVIEW***

#### *Mild decline in turnover*

The Group’s turnover for the Period amounted to HK\$18,478 million, representing a decrease of 7.7% compared to the same period last year.

Faced a slowdown of the mainland China economic growth, and the implementation of the property sector control that adversely affects its correlated industries, resulted in weak public consumption confident. Yet the TV industry takes a wait-and-see position for the government beneficial policy, consequently leads to an overall decline in both sales and volumes comparatively. The rise of the internet and contents enterprises speeds up the competition that shapes a severe trail for the conservative peers. In such a difficult operation environment, though the sales quantity of the TV products increased by 6.1%, the decline in the average selling price could not be fully compensated, which led to a mild drop in the overall turnover of the Group.

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

##### *Mainland China Market*

During the Period, the mainland China market accounted for 80.4% of the Group’s total turnover, recorded a decrease of 9.0% from HK\$16,334 million for the same period last year to HK\$14,856 million.

The Group’s TV business in mainland China accounted for 76.7% of the total domestic turnover. The sales of digital set-top boxes, white appliances and LCD modules accounted for 7.4%, 7.4% and 2.0% respectively. Other business units include those engaged in rental collection, lighting products, security systems and other electronic products etc., attributed the remaining 6.5%.

### TV products

Since the expiration of energy savings subsidy program in May 2013, the demand for home appliances in China market has been trended downwards. Along with the fierce price competition, the Group's TV products sales in mainland China market were depressed. During the period, the Group promotes "the king of user experience; the success in system efficiency" sales strategy, actively exploit the internet platform, launched various promotional campaigns concentrated around World Cup. With its leading edge display technology for the 4K TV and a strong after-sales service network, both helped to penetrate a more fruitful market segment thus still pioneer the market in sales. However, the decline of the average selling price has caused a drop of the Group's TV products sales in mainland China market by 17.1% and reached HK\$11,396 million.

Having the display technologies upgraded, comprehensive TV system utilized and massive software contents implanted, the market penetration of smart TV products increases swiftly. In 2014, though both the sales and quantities of TV products were facing pressure of growth, the 4K TVs became more popular in the industry and the demand of 4K TVs remains strong. Especially during the World Cup held in Brazil, many live matches including "The Final" were in 4K transmission, making the 4K TV products highlighted in the market. Skyworth has firmly grasped the opportunity and intensified 4K TVs promotions, including our E710U series that gained broad recognition among industry experts and consumers, which magnified the sales volume of 4K TVs. During the Period, 4.33 million sets of Flat Panel TVs under **Skyworth** brand were sold in mainland China, representing an increase of 2.5%. 0.57 million and 1.54 million sets refers to the sales volume of 4K Cloud TVs and Cloud TVs, increased by 205.1% and 39.8% respectively as compared to same period last year, totaling represented 48.9% of the Group's TV sales in mainland China market.

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in mainland China conducted 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 ("CVIA") in PRC, the Group's market shares among local and foreign TV brands in mainland China for the 12 months ended 30 September 2014 are as follows:

	Ranking	Market share
All TV		
– Volume	1	16.6%
– Revenue	1	15.9%
LCD TV (included CCFL and LED LCD TV)		
– Volume	1	17.0%
– Revenue	1	16.2%
4K UHD TV		
– Volume	1	22.8%
– Revenue	1	20.8%



Being a leader in display technology nationwide, the Group evolves to enhance its product category and structure, continuously launched a series of 3D TVs, Smart TVs, Cloud TVs, and autonomously developed the 3rd generation display technology of OLED. On 20 August 2014, the Group rolled out a new generation of “GLED” series 4K UHD TV that laid the leading position in the TV Industry. During the Period, the TV products of the Group has been awarded by our achievement in technology advancement and the product innovations, that once again could strengthen **Skyworth** brand awareness in the mainland China. The key awards include:

- In the “2014 (10th) China Digital TV Industry Development Conference”, Skyworth 4 Color 4K 55E710U series won both the “2014 Top Ten Flat-panel TVs” and “2014 Product Outlook Design” award.
- In the selection of “2011-2013 China Product Quality Control Advanced Unit and Member”, Shenzhen Chuangwei-RGB Electronics Co., Ltd. (a wholly owned subsidiary of the Company), was awarded “China Product Quality Control Advanced Enterprise”.
- In the “2014 (9th) China Digital Annual Festival”, Shenzhen Chuangwei-RGB Electronics Co., Ltd. won 3 significant award “Annual technology renovation award”, “Annual innovative product award” and “Annual excellent contribution award” which further enhanced the market position of “Leading Technology Enterprise”.
- In the selection of “2014 China Top Ten Industrial Design Award”, Shenzhen Chuangwei-RGB Electronics Co., Ltd. was awarded as “China’s Top Ten Innovative Producers (manufacturing section) in 2014”.

#### *Digital set-top boxes*

The turnover of digital set-top boxes in mainland China market recorded HK\$1,098 million, representing an increase of 5.8% or HK\$60 million, compared with HK\$1,038 million recorded in the same period of previous year.

The Year 2014 is a new era for the development of Smart Cable TV Networks digital set-top box in mainland China market. DVB and OTT set-top boxes have directed the mainstream development. The Group’s business unit of digital set-top boxes has a comprehensive OTT business platform and extensive experience in developing DVB set-top boxes. In addition, our digital set-top box has established its remarkable branding in mainland China. Following a continuously expanding coverage of live broadcast satellite launched by the State Administration of Radio, Film and Television in sub-urban area, the sales volume increased significantly when compare with the same period of previous year, and marked a favorable result.

#### *White Appliances*

The turnover of white appliances in mainland China market recorded HK\$1,100 million, representing an increase of 58.0% or HK\$404 million, compared with HK\$696 million recorded in the same period of previous year.

With the completion of our self-established plant, the Group has begun to produce our washing machine. Strict quality control is implemented which has greatly improved customer’s confidence towards the white appliances products. In addition, the Group continues to expand its self-owned customer base and e-commerce channel, which led to a fabulous growth in sales during the Period. It is expected that in the second half of the financial year, the Group will fully integrate its advanced technology to its products, by the enhancement to the quality, intelligent comfort, and stylish design. The Group will focus in launching high-end products, so as to demonstrate our technical strength in white appliances products and to establish its brand image. Moreover, in order to utilize the Group’s existing extensive sales channels more effectively, the white appliances business unit will also explore other distribution channels for refrigerators and washing machines. The Group will continue to enlarge the market share of white appliances, achieving a further growth in turnover.

### *LCD Modules*

The turnover of LCD modules in mainland China recorded HK\$292 million, representing an increase of 8.1% or HK\$22 million.

During the Reporting Period, owing to a slightly drop in demand from TV modules customers, TV modules experienced a decrease in both sales volume and average selling price, resulting in a mild decrease in turnover when compared with the same period of previous year. However, the Group has years of experiences in developing LED backlight products and possessed of mature technique especially in self-designed small to medium size modules. The business unit maintains an excellent customer base, with customers' trust and support, in self-designed small to medium size modules business which give rise to a fruitful result and net-off the slightly drop in other products.

### *Overseas Markets*

The turnover generated from overseas markets accounted for HK\$3,622 million, or 19.6% of the Group's total turnover for the Period. Comparing with HK\$3,688 million recorded in the same period of previous year, representing a decrease of 1.8%.

### *TV products*

The turnover of overseas TV products for the Period was HK\$2,040 million, or 56.3% of the total overseas turnover, has grew by 23.1%. The overseas sales volume increased by 16.8% to 1.61 million sets, in which flat panel TV increased by 47.3% to 1.61 million sets.

During the Period, the Group continuously adjusts its product structure, dedicating itself to expand the mid-end and high-end TV market share. This led to the sales volume portion of LED LCD TVs reached 99.9%, resulting in a rise of average selling price by 5.3%. Furthermore, the Group also participated actively in exhibitions throughout different countries in order to strengthen our **Skyworth** brand product image. Especially in the Asia region, one of the area that spotlighted our own branded sales. On the other hand, the Group keeps on exploring new sales channel, diversified its product mix by targeting different customers' needs, in where the overseas turnover recorded a satisfactory result.

### *Digital set-top boxes*

The turnover of overseas digital set-top boxes for the Period has increased by 4.3% to HK\$1,172 million.

A number of African countries have formally promulgated their digitization plans in TV broadcasting, especially the South African operators, which increased the investment for digital terrestrial broadcasting; the Group has become a major supplier in the region. However, owing to the delay of digitization plan in India, resulted in a decrease in sales in the market and affected the growth of the overseas sales. It is expected that in the second half of the financial year, the Group will adjust its operation team, in order to maintain their growth in overseas market. At the same time, the Group will further invest in market promotion of the mid-end to high-end products, as well as enhancing our brand image and visibility in B2B market. The Group aimed at turning the sales strategy from pursuing customers' demands to leading the market trend and creating customers' demands. All of these will help to raise the overseas sales figure steadily.

### *White Appliances*

During the Period, The turnover of white appliances (mainly tablet computer) in overseas market recorded HK\$223 million, representing a decrease of 47.7% or HK\$203 million compared to the same period in last year.

The worldwide shipments of tablet computer in the first half year have shown a downward trend. The customer orders marked a decline when compared with the same period in last year, and the sales from new customers cannot fill up the decline of sales from existing customers promptly, resulting in a decrease in turnover. In the second half, apart from consolidating the existing customer base, the Group will try to open up overseas markets for refrigerators and washing machines, so as to expand its overseas customer fragment. Meanwhile, the Group will continue to widen the **Skyworth** brand influence, strengthen its research and development system and to create products with excellent quality as well as multiple features. The Group will strive to gain customers trust and support, in order to twist the turnover in overseas markets upward.





### *Geographical distribution*

During the Period, Asia, Africa, America and Europe dominate the Group's overseas markets, with aggregation up to 93% in overseas turnover. The turnover from Africa market rose by 17 percentage points due to emerging markets expansion. The remaining 7% of overseas turnover belongs to Middle East, Australia and New Zealand. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	<b>Six months ended 30 September</b>	
	<b>2014</b> (%)	<b>2013</b> (%)
Asia	26	49
Africa	26	9
America	24	28
Europe	17	8
Middle East	6	5
Australia and New Zealand	1	1
	<b>100</b>	<b>100</b>

### *Gross profit margin*

For the Period, the overall gross profit margin of the Group increased 0.4 percentage point from 19.1% to 19.5% in comparison to the same period last year.

While facing the fierce price competition, the Group believes that continuous technology innovation and high-end products sales mix alongside with shrinking production cost are the ways to sustain the profit margin and create profitability. Hence, during the period, the Group reforms its product mix and aim to high margin products such as E710, E510, E690 and E360 etc., which represented 51.3% of the turnover in first half year that led to a rise in the gross profit margin. In addition, the Group reduced its external TV modules procurement by developing on its own. The Group formed a strategic partnership with Huawei in the areas of components which used for GLED products, this effectively save the production cost over 20.0% which pushed the gross profit margin upwards.

In the second half year, TV products with lower resolutions and small sizes would be fading out. The Group would upgrade its product technology, reinforce new product promotions and speed up the conversion to middle and high-end TV products so as to sustain the selling price of TV products and improve the brand premium.

### *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 drop 4.9% compared to the same period last year from HK\$2,362 million to HK\$2,247 million. The S&D expenses to turnover ratio increased by 0.4 percentage points from 11.8% to 12.2%.

During the Period, the Group managed in cost-saving policies and changed its marketing strategies to lower the frequency of promotion activities. Making good use of our own sales channels, such as the E-commerce and Retail Stores, in sharing our product information that interact with ultimate consumers, our brand advertising and promotion expenses decreased by HK\$143 million or 21.3%. Moreover, the Group continuously upgrades the product quality and effectively managed the after-sale service costs in order to maintain its TV products' reputation. The Group has effectively controlled the cost of after-sales service and repair and maintenance, led to a decrease in unit cost when compare with the same period in last year.

However, corresponding selling costs increased in proportion to the sales volume including exhibition and flagship store expenditures, transportation costs, promotional staff expenses, and sales performance bonus which partly narrow down the drop in S&D expenses.

### *General and administrative expenses*

The Group's general and administrative ("G&A") expenses for the Period rose by HK\$35 million or 4.6% to HK\$790 million. The G&A expenses to turnover ratio for the Period increased by 0.5 percentage points to 4.3%.

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\$54 million or 20.2%. In addition, the staff salary and welfare increased by HK\$19 million, or 10.7% due to the increase in number of employees, salaries 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 inventory reached HK\$5,302 million as at the Period ended, representing an increase of HK\$1,114 million or 26.6% compared to that as at 31 March 2014. Due to expansion of production scale, diversification of products and a shift in emphasis to intelligent high-end products, the Group appropriately increased the inventory level of raw material, in order to avoid the risk of discontinued operation or a subsequent rise in cost. Meanwhile, to cope with the traditional peak season, the big sales in National Day Golden week and new products, the inventory level of finished goods have also adjusted upward accordingly.

When compared with the inventory balance as at 30 September 2013, an increase of HK\$299 million or 6.0% is noted. The expansion of production scale and a higher proportion of high-end products, which have a higher unit cost, have increased the overall inventory cost. At the end of the Period, the inventory turnover days were 59 days, increased by 2 days and 5 days when compared to 30 September 2013 and 31 March 2014 respectively.

### *Trade receivables and bills receivable*

At the end of the Period, the Group had a total of HK\$12,842 million trade receivables and bills receivable, decreased by HK\$1,566 million or 10.9% compared to that as at 31 March 2014. Trade receivables increased by HK\$1,629 million or 37.5% to HK\$5,976 million, whilst bills receivable decreased by HK\$3,195 million or 31.8% to HK\$6,866 million. September is the traditional peak sales season, turnover increased remarkably compared with the beginning of the year, which caused a significant increase in trade receivables.

When compared with the balances as at 30 September 2013, the trade receivables and bills receivable had decreased by HK\$420 million or 3.2%, in which trade receivables increased by HK\$928 million, whilst bills receivable decreased by HK\$1,348 million. Since the sales figure in September 2014 was higher than the same month in last year and a notable growth of sales from digital set-top boxes in both China and overseas market, the trade receivables increased accordingly.

### *Trade payables and bills payable*

At the end of the Period, the Group's trade payables and bills payable amounted to HK\$5,960 million and HK\$3,694 million respectively. As compared with that as at 31 March 2014, the trade payables increased by HK\$1,155 million or 24.0%; while the bills payable decreased by HK\$400 million or 9.8%. In order to fulfill the production needs for the peak sales season and the timing of newly launched products, the Group has appropriately increased the procurement which led to an overall increase in the payables balances.

When compared with the balances as at 30 September 2013, the rise in purchase amount has resulted in an increase of trade payables by HK\$115 million or 2.0%; and bills payable increased by HK\$463 million or 14.3%.



### ***LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT***

The Group adopted a prudent financial policy to maintain a stable financial growth. When compared with the 31 March 2014, the Group's net current assets increased by HK\$641 million or 9.6%. As at the end of the Period, bank balances and cash amounted to HK\$3,002 million, representing a decrease of HK\$21 million when compared with that as at 31 March 2014; whilst a decrease of HK\$232 million when compared with that as at 30 September 2013. Pledged bank deposits amounted to HK\$1,350 million decreased by HK\$222 million when compared with that as at 31 March 2014. A decrease in pledge bank deposits when compared to last year, was due to termination of several foreign currency forward contracts signed between the Group and various financial institutions and therefore released the corresponding collateral. For detail disclosure, please refer to note 16 to the condensed consolidated financial statements.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$1,350 million pledged 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\$92 million (As at 31 March 2014: HK\$92 million) as at the end of the Period.

The Group adheres to its principle of prudence and committed to maintain a healthy financial position. At the end of the Period, total bank loans amounted to HK\$3,618 million. Equity attributable to owners of the Company amounted to HK\$11,745 million (As at 31 March 2014: HK\$10,822 million). The debt to equity ratio revealed as 27.7% (As at 31 March 2014: 50.3%). Other key financial ratios are included in Financial Highlights of the interim financial report.

As at the end of the Period, the Group changed its financial policy by partly using the US dollars low interest rate bank loans as its working capital, while applying discounted bills via the Skyworth Group Finance Company Limited, the financial institution of the Group, in order to reduce finance costs.

### ***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 are denominated in Hong Kong dollars and US dollars. The Group uses general trade financing to fulfill the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. During the Period, RMB was depreciated at the beginning but appreciated in the later period, the Group recognised HK\$46 million net foreign exchange gains associated with fluctuation of RMB.

The management regularly reviews the foreign currency exposure and interest rate exposure, in order to determine the need on hedging. During the Period, the Group remained several financial arrangements with certain banks, including performance swap contract and foreign currency forward contracts of which the purpose is to manage the Group's foreign currency exposure partially arising from its US dollars payables. For details of the arrangements, please refer to note 16 to the condensed consolidated financial statements in the interim financial report.

### ***SIGNIFICANT INVESTMENTS AND ACQUISITION***

During the Reporting Period, in order to cope with the expanding production scale and improving production capacity, an addition of HK\$360 million in construction projects were underway. This includes expansion of production plant, new production lines and improvement to facilities in production plants located in Guangzhou, Inner Mongolia, Nanjing, Yichun and Shenzhen. The Group had spent approximately HK\$412 million on ancillary machinery in production lines and other equipment, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

During the Period, the Group invested HK\$362 million, by means of available for sales investments, in research and development projects relating to TV and digital set-top box industry. The Group expects these research and development projects can speed up the integration of TV and digital set-top box.

### ***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***

As at 30 September 2014, the Group had over 36,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 41 branches and 211 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. Meanwhile, the Group is continuous strengthening the infrastructure of human resources, providing guidance to the position title, salary norms, and gradually establishes a long-term centralised selection, training and development mechanism and a specified department to enhance the professionalism and leadership skill of senior personnel staff.

The Group's remuneration policy is based on individual performance, functions and conditions of human resources market. Detailed policies, responsibilities and resolutions executed by the Remuneration Committee and Nomination Committee, please refer to "Corporate Governance and Other Information".

### ***OUTLOOK***

2014 is a challenging year for the whole China TV industry. As the internet enterprises are entering into the market, the traditional TV companies should make good use of the time to refine, customize and diversify their products and services in order to maintain a leading position in the industry. Under current circumstance, the Group will focus on the following three areas: (i) product innovation, including new display technologies and new applications of semiconductor technology, such as the newly released GLED TV in August that involved cost saving in procurement by adopting the semiconductor chip of Huawei Hass. Therefore, users could enjoy a high-quality product at a discounted price; (ii) a combination of hardware and software, transformed from a hardware provider to the "hardware + information" service provider. Through this platform, the Group could diverse the various needs on videos, games, social networking and fitness etc., and (iii) continuous development in international market through a strategy of localization.

In the second half of 2014, it is expected that the Smarts TV will become the mainstream products in the market of mainland China. The Group will further promote the large-screen products, up to 60% of the new launched products, in the second half of 2014. At the same time, through introduction of contents and games, the Group aims to expand the market to achieve the desired objectives on sales.

For overseas markets, the Group would develop a sales sharing platform for overseas markets and continue to operate with cautious strategy. Not only keep on exploring the growth in the Asia and American markets, but also strengthen the market share in Europe, Middle East and Russia etc., in order to consolidate the position in the overseas markets. For the purpose of achieving the annual sales volume target, the Group would accelerate the penetration of middle and high-end products to increase its sales revenue in the overseas market.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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

	NOTES	Six months ended 30 September	
		2014 (unaudited)	2013 (unaudited)
Turnover	3	18,478	20,022
Cost of sales		(14,866)	(16,189)
Gross profit		3,612	3,833
Other income		568	402
Other gains and losses	5	45	(62)
Selling and distribution expenses		(2,247)	(2,362)
General and administrative expenses		(790)	(755)
Finance costs	6	(85)	(83)
Share of results of associates		–	1
Share of results of joint ventures		(4)	(1)
Profit before taxation		1,099	973
Income tax expense	7	(191)	(167)
Profit for the period	8	908	806
<b>Other comprehensive income (expense)</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		124	160
Fair value loss on available-for-sale financial assets		(1)	(19)
Reclassification adjustment upon impairment of available-for-sale financial assets		1	19
Fair value loss on cash flow hedges	16(4)	–	(3)
Loss on cash flow hedges reclassified to profit or loss	16(4)	–	8
Other comprehensive income for the period		124	165
Total comprehensive income for the period		1,032	971
Profit for the period attributable to:			
Owners of the Company		824	719
Non-controlling interests		84	87
		908	806
Total comprehensive income for the period attributable to:			
Owners of the Company		939	875
Non-controlling interests		93	96
		1,032	971
<b>Earnings per share (expressed in Hong Kong cents)</b>			
Basic	9	29.13	25.64
Diluted	9	29.09	25.60

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2014

Amounts expressed in millions of Hong Kong dollars

	<i>NOTES</i>	As at 30 September 2014 (unaudited)	As at 31 March 2014 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	5,035	4,436
Deposits for purchase of property, plant and equipment		186	147
Investment properties		10	10
Prepaid lease payments on land use rights	12	598	457
Goodwill	29	380	–
Interests in associates		14	14
Interests in joint ventures		52	59
Available-for-sale investments	13	1,422	691
Deferred tax assets		233	150
		<b>7,930</b>	<b>5,964</b>
<b>Current Assets</b>			
Inventories		5,302	4,188
Stock of properties		789	656
Prepaid lease payments on land use rights	12	15	11
Held-to-maturity investments		497	325
Available-for-sales investments	13	558	284
Trade and other receivables, deposits and prepayments	14	8,061	5,787
Bills receivable	15	6,866	10,061
Derivative financial instruments	16	4	–
Loan to a joint venture		32	25
Amounts due from associates		41	123
Prepaid tax		123	125
Pledged bank deposits		1,350	1,572
Bank balances and cash	17	3,002	3,023
		<b>26,640</b>	<b>26,180</b>
<b>Current Liabilities</b>			
Trade and other payables	18	12,623	9,241
Bills payable	19	3,694	4,094
Dividend payable	10	298	–
Obligations arising from put options written to non-controlling interests	20	–	485
Derivative financial instruments	16	15	5
Provision for warranty		163	149
Amounts due to joint ventures		–	4
Amounts due to associates		14	17
Tax liabilities		131	162
Bank borrowings	21	2,192	5,156
Deferred income		190	188
		<b>19,320</b>	<b>19,501</b>
<b>Net Current Assets</b>		<b>7,320</b>	<b>6,679</b>
<b>Total Assets less Current Liabilities</b>		<b>15,250</b>	<b>12,643</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT 30 SEPTEMBER 2014

Amounts expressed in millions of Hong Kong dollars

	<i>NOTES</i>	As at 30 September 2014 (unaudited)	As at 31 March 2014 (audited)
<b>Non-current Liabilities</b>			
Provision for warranty		61	50
Bank borrowings	21	1,426	547
Deferred income		541	554
Deferred tax liabilities		146	144
		<b>2,174</b>	1,295
<b>NET ASSETS</b>			
		<b>13,076</b>	11,348
<b>Capital and Reserves</b>			
Share capital	22	283	283
Share premium		2,501	2,501
Share option reserve		211	193
Share award reserve		10	–
Shares held for share award scheme		(52)	–
Investment revaluation reserve		–	–
Surplus account		38	38
Capital reserve		749	749
Exchange reserve		1,227	1,112
Accumulated profits		6,778	5,946
Equity attributable to owners of the Company		<b>11,745</b>	10,822
Non-controlling interests		1,331	526
		<b>13,076</b>	11,348

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014  
Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	Surplus account	Capital reserve	Exchange reserve	Hedging reserve	Accumulated profits	Total		
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 or 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 20)	-	-	-	-	-	-	-	-	-	-	-	-	(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
Balance as at 1 April 2014 (audited)	283	2,501	193	-	-	-	38	749	1,112	-	5,946	10,822	526	11,348
Profit for the period	-	-	-	-	-	-	-	-	-	-	824	824	84	908
Exchange differences arising on translation	-	-	-	-	-	-	-	-	115	-	-	115	9	124
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Reclassification adjustment upon impairment of available-for-sale financial assets	-	-	-	-	-	1	-	-	-	-	-	1	-	1
Total comprehensive income for the period	-	-	-	-	-	-	-	-	115	-	824	939	93	1,032
Purchase of shares for unvested shares under the share award scheme of the Company	-	-	-	-	(52)	-	-	-	-	-	-	(52)	-	(52)
Recognition of equity-settled share-based payments	-	-	18	10	-	-	-	-	-	-	-	28	-	28
Dividend recognised as distribution (note 10)	-	-	-	-	-	-	-	-	-	-	(298)	(298)	-	(298)
Adjustment arising from obligations from put options written to non-controlling interests (note 20)	-	-	-	-	-	-	-	-	-	-	-	-	(33)	(33)
Release of obligations arising from put options written to non-controlling interests (note 20)	-	-	-	-	-	-	-	-	-	-	-	-	538	538
Lapse of put options written to non-controlling interests	-	-	-	-	-	-	-	-	-	-	66	66	(66)	-
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of the subsidiary (note 29)	-	-	-	-	-	-	-	-	-	-	240	240	270	510
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Balance as at 30 September 2014 (unaudited)	283	2,501	211	10	(52)	-	38	749	1,227	-	6,778	11,745	1,331	13,076





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014  
Amounts expressed in millions of Hong Kong dollars

	NOTES	Six months ended 30 September	
		2014 (unaudited)	2013 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		2,254	3,639
NET CASH USED IN INVESTING ACTIVITIES			
Dividend received		8	46
Interest received		55	44
Purchase of property, plant and equipment		(535)	(904)
Addition of prepaid lease payments on land use right		(42)	–
Deposits received for Shenzhen Gongming Town Cooperation	12	1,250	–
Investment in a joint venture		–	(25)
Proceeds on disposal of a joint venture		–	4
Investments in available-for-sales investments		(1,056)	(41)
Proceeds on disposal of available-for-sales investments		71	2
Investments in held-to-maturity investments		(493)	–
Proceeds on disposal of held-to-maturity investments		325	–
Advances to staffs		(5)	(26)
Repayments from staffs		6	48
Loan to a joint venture		(7)	–
Government grant received related to assets		84	48
Placement of pledged bank deposits		(669)	(397)
Withdrawal of pledged bank deposits		891	129
Acquisition of a subsidiary	29	14	–
		(103)	(1,072)
NET CASH USED IN FINANCING ACTIVITIES			
Interest paid		(86)	(134)
Contributions from non-controlling interests		3	17
New bank borrowings raised		2,745	6,586
Repayment of bank borrowings		(4,839)	(8,138)
Purchase of shares for unvested shares under share award scheme		(52)	–
Cash paid on settlement of cross-currency interest rate swap		–	(8)
		(2,229)	(1,677)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(78)	890
CASH AND CASH EQUIVALENTS AS AT 1 APRIL		2,918	2,301
Effect of foreign exchange rate changes		31	43
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER		2,871	3,234
<i>Bank balances and cash represented:</i>			
Cash and cash equivalents		2,871	3,234
Restricted bank deposits		131	–
	17	3,002	3,234

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

## 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 2014.

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 2014.

## 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 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2014.

### *Equity-settled share-based payment transactions under share award schemes*

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company’s share held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated profits.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.



## 2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

### *Application of new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)*

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to 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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

## 3. **TURNOVER**

Turnover represents the aggregate value of goods and properties sold reduced for 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:

	<b>Six months ended 30 September</b>	
	<b>2014</b> <b>(unaudited)</b> <b>HK\$ million</b>	<b>2013</b> <b>(unaudited)</b> <b>HK\$ million</b>
Manufacture and sales of television (“TV”) products	13,436	15,410
Manufacture and sales of digital set-top boxes	2,270	2,162
Processing income and sales of liquid crystal display (“LCD”) modules	348	496
Manufacture and sales of white appliances	1,323	1,122
Property rental income	122	40
Sales of properties	–	30
Others	979	762
	<b>18,478</b>	<b>20,022</b>





#### 4. SEGMENT INFORMATION (Continued)

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
<b>Turnover</b>									
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)	–
<b>Total segment revenue</b>	<b>13,835</b>	<b>1,778</b>	<b>2,162</b>	<b>1,109</b>	<b>1,122</b>	<b>46</b>	<b>955</b>	<b>(985)</b>	<b>20,022</b>
<b>Results</b>									
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)
<b>Consolidated profit before taxation of the Group</b>									<b>973</b>

Segment results represent the profit earned by (loss from) each segment without allocation of interest income, corporate expenses less income, finance costs, and share of results of 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	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
Exchange gain, net	46	80
Gain from changes in fair value of derivative financial instruments (note 16)	–	1
Impairment loss recognised in respect of available-for-sale investments (note 13)	(1)	(19)
Loss on disposal of property, plant and equipment	–	(13)
Special allowance for inventories (Note)	–	(111)
	45	(62)

Note: The Group had delivered certain inventories to an overseas customer with carrying amount of approximately HK\$111 million. The management considered that the title of the inventories was not yet passed to the customer according to the shipping terms. Such overseas customer went bankruptcy during the six months ended 30 September 2013. Both the Group and the overseas customer claimed the ownership over the inventories and the inventories were withheld by the custom in that country. The recoverability of those inventories became uncertain, the management considered that the net realisable value of the inventories should be written down by HK\$111 million during the six months ended 30 September 2013.

## 6. FINANCE COSTS

	Six months ended 30 September	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
Interest on bank borrowings wholly repayable within five years	72	70
Imputed interest expenses on obligations arising from put options written to non-controlling interests (note 20)	13	13
	85	83

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
People's Republic of China (the "PRC") income tax		
Current period	185	185
Under (over) provision in prior periods	10	(16)
	195	169
Deferred taxation	(4)	(2)
	191	167



## 7. **INCOME TAX EXPENSE** (Continued)

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%.

In 2011, the 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. Assessments/estimated assessments for the years of assessment 2002/2003 to 2007/2008 were issued to the relevant subsidiaries. Tax reserve certificates in an aggregate amount of approximately HK\$9 million were purchased up to the date of this report. 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, the outcome of the tax audit cannot be readily ascertained with any degree of accuracy and no provision for any potential tax liability has been made in the condensed consolidated financial statements up to this stage.

## 8. **PROFIT FOR THE PERIOD**

	<b>Six months ended 30 September</b>	
	<b>2014</b> <b>(unaudited)</b> <b>HK\$ million</b>	<b>2013</b> <b>(unaudited)</b> <b>HK\$ million</b>
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\$55 million (for the six months ended 30 September 2013: HK\$8 million)	<b>14,821</b>	16,149
Cost of stock of properties recognised as an expense	–	22
Depreciation of property, plant and equipment	<b>227</b>	172
Dividend income from unlisted investments	<b>(8)</b>	(2)
Government grants		
– related to assets	<b>(84)</b>	(20)
– related to expense items	<b>(101)</b>	(63)
	<b>(185)</b>	(83)
Value-added-tax (“VAT”) refund	<b>(153)</b>	(182)
Impairment loss on trade receivables	<b>6</b>	37
Imputed interest income from trade receivables	<b>(6)</b>	(1)
Interest income from bank deposits	<b>(66)</b>	(42)
	<b>(72)</b>	(43)
Release of prepaid lease payments on land use rights	<b>8</b>	5
Rental income from leasing of properties less related outgoings of HK\$45 million (for the six months ended 30 September 2013: HK\$18 million)	<b>(77)</b>	(22)
Staff costs, including directors’ emoluments	<b>1,717</b>	1,608

## 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	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	824	719
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,828,715,220	2,803,909,983
Effect of dilutive potential ordinary shares in respect of share options outstanding	3,220,793	4,411,991
Effect of dilutive potential ordinary shares in respect of share awards outstanding	864,786	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,832,800,799	2,808,321,974

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the Company under a share award scheme.

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 ended 30 September 2014 and 2013.

## 10. DIVIDENDS

Upon the completion of acquisition of subsidiaries and partial disposal of a subsidiary as disclosed in note 29, a special dividend of HK4 cents per share, amounting to approximately HK\$114 million in total, was recognised as distribution and as dividend payable to qualifying shareholders (as referred to the Company's announcement dated 5 June 2013) on the condensed consolidated statement of financial position as at 30 September 2014.

In addition, the final dividend for the year ended 31 March 2014 of HK6.5 cents per share, amounting to HK\$184 million in total, was recognised as distribution and as dividend payable on the condensed consolidated statement of financial position upon approval by the shareholders in the Company's Annual General Meeting held on 20 August 2014. Such dividend payable was settled subsequently on 23 October 2014. Of such final dividend, an aggregate amount of HK\$22.8 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

During the six months ended 30 September 2013, a dividend of HK11 cents per share, amounting to HK\$308 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2013. Of such final dividend, an aggregate 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.

The Board of Directors has resolved that an interim dividend of HK9.5 cents per share for the year ending 31 March 2015, amounting to HK\$270 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 12 December 2014 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 2014, the Group had incurred approximately HK\$303 million (for the six months ended 30 September 2013: approximately HK\$530 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\$472 million (for the six months ended 30 September 2013: approximately HK\$333 million) on the acquisition of other property, plant and equipment for business operations and expansion.

### **12. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS**

On 21 October 2013, 新創維電器(深圳)有限公司 (“新創維電器”) and 深圳創維置業有限公司 (“創維置業”), indirect wholly-owned subsidiaries of the Company, entered into an 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 RMB1.65 billion (“Shenzhen Gongming Town Cooperation”). Under the cooperation agreement, 新創維電器 and 創維置業 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. Such transaction is subject to the approvals from the relevant PRC government authorities and the fulfilment of the conditions by 新創維電器 and 創維置業. Sales deposits of HK\$1,250 million (equivalent to approximately RMB0.99 billion) (as at 31 March 2014: nil) received from purchasers at the end of the reporting period are included in trade and other payables as disclosed in note 18.

### **13. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS**

During the six months ended 30 September 2014, the Group invested HK\$355 million and HK\$701 million in certain unlisted equity securities in the PRC and other financial instruments, respectively.

During the six months ended 30 September 2013, the Group invested HK\$41 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\$1 million (for the six months ended 30 September 2013: HK\$19 million) 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 prepayments:

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Within 30 days	2,822	1,852
31 to 60 days	887	399
61 to 90 days	479	416
91 to 365 days	1,264	1,184
366 days or over	524	496
Trade receivables	5,976	4,347
Purchase deposits paid for materials	406	237
Receivables from government for refunds paid to customers on buying energy-saving products	157	157
VAT receivables	580	377
Other deposits paid, prepayments and other receivables	942	669
	<b>8,061</b>	<b>5,787</b>

**15. BILLS RECEIVABLE**

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

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Within 30 days	1,175	2,417
31 to 60 days	1,092	1,458
61 to 90 days	821	1,822
91 days or over	3,632	3,947
Bills endorsed to suppliers with recourse	48	123
Bills discounted to banks with recourse	98	294
	<b>6,866</b>	<b>10,061</b>

The carrying values of bills endorsed to suppliers and bills discounted to banks with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. Accordingly, the liabilities associated with such bills, mainly payables and borrowings as disclosed in notes 18 and 21 respectively, are not derecognised in the condensed consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months 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 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Derivative financial instruments are analysed as:		
– Foreign currency forward contracts ( <i>Note 1</i> )	4	(5)
– Performance swap contracts ( <i>Note 2</i> )	(15)	–
	(11)	(5)

	Six months ended 30 September 2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
Gain (loss) from changes in fair value of derivative financial instruments comprise:		
– Foreign currency forward contracts ( <i>Note 1</i> )	9	–
– Performance swap contracts ( <i>Note 2</i> )	(9)	(1)
– Target redemption forward contract ( <i>Note 3</i> )	–	2
	–	1

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

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
<b>Assets</b>		
Foreign currency forward contracts	4	–
<b>Liabilities</b>		
Foreign currency forward contracts	–	(5)
Performance swap contracts	(15)	–
	(11)	(5)

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Note 1: Foreign currency forward contracts

During the year ended 31 March 2014, the Group had entered into arrangements with an established commercial bank in the PRC that the Group borrowed one year borrowings denominated in Renminbi (“RMB”) from the bank. At the same time, the Group (a) placed one year fixed deposits (amounted to the Hong Kong dollars (“HK\$”)/United States dollars (“US\$”)) equivalent of the respective amounts of RMB loans plus interests thereon) to the bank as security against the RMB borrowings, and (b) entered into forward contracts with the banks to purchase RMB (amounted to the RMB loans plus interests thereon) in HK\$/US\$ at predetermined forward rates.

Other than the arrangements as described in above, the Group also entered into foreign currency forward contracts with an established commercial bank in the PRC to purchase RMB in HK\$/US\$ at predetermined forward rates.

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

Aggregate principal amount	Maturity	Forward exchange rate (net settlement)
<b>As at 30 September 2014</b>		
RMB331,895,834	From October 2014 to December 2014	Buy RMB/sell HK\$ at 0.7917 to 0.7960
RMB210,923,806	From October 2014 to December 2014	Buy RMB/sell US\$ at 6.1733 to 6.1960
<b>As at 31 March 2014</b>		
RMB125,553,353	From July 2014 to September 2014	Buy RMB/sell HK\$ at 0.7972 to 0.7997
RMB331,895,834	From October 2014 to December 2014	Buy RMB/sell HK\$ at 0.7917 to 0.7960
RMB210,923,806	From October 2014 to December 2014	Buy RMB/sell US\$ at 6.1733 to 6.1960

At 30 September 2014, the fair value of the Group’s foreign currency forward contracts was estimated to be an asset of HK\$4 million (as at 31 March 2014: a liability of HK\$5 million). These amounts were determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the six months ended 30 September 2014, a gain arising from changes in fair value of the foreign currency forward contracts of HK\$9 million had been recognised in profit or loss (for the six months ended 30 September 2013: nil).

### Note 2: Performance swap contracts

During the six months ended 30 September 2014, the Group entered into three performance swap contracts 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 first performance swap contract consists of an interest rate swap and a target redemption forward contract:

- the interest rate swap with notional amount of US\$30,000,000 has interest payments in US\$ at US\$-London Interbank Offered Rate (“LIBOR”)-British Bankers’ Association (“BBA”) per annum capped at 1.00% per annum and floating interest receipts in US\$ at 1.25% plus US\$-LIBOR-BBA per annum for periods up to April 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2016, save for the event leading to the knock-out and termination contract as discussed below.



## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Note 2: Performance swap contracts (Continued)

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 rate (buy US\$/sell RMB at 6.2700, the “Strike Rate 1”), the Group would receive a cash return of RMB20,000.

The contract would be knocked-out and terminated when the Spot Rates 1 is less than or equal to the Strike Rate 1 for an aggregate of eleven times in aggregate as stipulated in the contract;

- (ii) if the Spot Rates 1 is greater than the Strike Rate 1 and less than or equal to the barrier rate (buy US\$/sell RMB at 6.3700, the “Barrier Rate 1”), there would have no settlement; and
- (iii) if the Spot Rates 1 is greater than the Barrier Rate 1, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 1 and the Strike Rate 1 times a notional amount of US\$30 million, settled in RMB equivalent.

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

- the interest rate swap with notional amount of US\$30,000,000 has interest payments in US\$ at US\$-LIBOR-BBA per annum capped at 1.00% per annum and floating interest receipts in US\$ at 1.25% plus US\$-LIBOR-BBA per annum for periods up to April 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to April 2016, 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 2”) is less than or equal to the strike rate (buy US\$/sell RMB at 6.4250, the “Strike Rate 2”), the Group would receive a cash return of RMB20,000.

The contract would be knocked-out and terminated when the Spot Rates 2 is less than or equal to the Strike Rate 2 for an aggregate of eleven times in aggregate as stipulated in the contract;

- (ii) if the Spot Rates 2 is greater than the Strike Rate 2 and less than or equal to the barrier rate (buy US\$/sell RMB at 6.5250, the “Barrier Rate 2”), there would have no settlement; and
- (iii) if the Spot Rates 2 is greater than the Barrier Rate 2, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 2 and the Strike Rate 2 times a notional amount of US\$30 million, settled in RMB equivalent.

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

- the interest rate swap with notional amount of US\$30,000,000 has interest payments in US\$ at US\$-LIBOR-BBA per annum capped at 1.00% per annum and floating interest receipts in US\$ at 1.25% plus US\$-LIBOR-BBA per annum for periods up to July 2015; and
- the target redemption forward contract comprises non-deliverable settlement measured at 24 different expiry dates up to July 2016, save for the event leading to the knock-out and termination contract as discussed below.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### *Note 2: Performance swap contracts (Continued)*

At each expiry dates:

- (i) if the US\$ to RMB spot exchange rate (the “Spot Rates 3”) is less than or equal to the strike rate (buy US\$/sell RMB at 6.3500, the “Strike Rate 3”), the Group would receive a cash return of RMB20,000.

The contract would be knocked-out and terminated when the Spot Rates 3 is less than or equal to the Strike Rate 3 for an aggregate of nine times in aggregate as stipulated in the contract;

- (ii) if the Spot Rates 3 is greater than the Strike Rate 3 and less than or equal to the barrier rate (buy US\$/sell RMB at 6.5000, the “Barrier Rate 3”), there would have no settlement; and
- (iii) if the Spot Rates 3 is greater than the Barrier Rate 3, the Group would pay the bank a net settlement calculated based on the difference between the Spot Rates 3 and the Strike Rate 3 times a notional amount of US\$30 million, settled in RMB equivalent.

Loss from change in fair value of HK\$9 million in respect of these contracts has been recognised in profit or loss for the six months ended 30 September 2014.

During the six months ended 30 September 2013, loss from change in fair value of HK\$1 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 2014.

### *Note 3: Target redemption forward contract*

During the six months ended 30 September 2013, a gain from change in fair value of HK\$2 million in respect of a target redemption forward contract had been recognised in profit or loss. Such contract was knocked-out and terminated in the year ended 31 March 2014.

### *Note 4: Cross-currency interest rate swap*

The Group entered into a cross-currency interest rate swap contract which was designated as a highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risks arising from the Group’s floating-rate US\$ bank borrowing by swapping the US\$ floating-rate interest payments to RMB fixed rate interest payments. The cross-currency interest rate swap of the Group with notional principal amount of US\$60,000,000 (equivalent to RMB402,300,000 at the date of inception of the loan, and reduced ratably with repayment of the underlying US\$ bank borrowings) has fixed currency payments in RMB at exchange rate of US\$ to RMB at 6.705, fixed interest payments in RMB at 2.99% per annum and floating interest receipts in US\$ at 3% plus 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.

During the year ended 31 March 2014, the Group had fully repaid the corresponding US\$ bank borrowing in accordance with the repayment schedules and such arrangements are expired.

During the six months ended 30 September 2013, loss from changes in fair value of HK\$3 million had been recognised in other comprehensive income and accumulated in hedging reserve and HK\$8 million of the loss has been reclassified to profit and loss.

## 17. BANK BALANCES AND CASH

Included in bank balances and cash as at 30 September 2014 are restricted bank deposits of HK\$131 million (as at 31 March 2014: HK\$105 million), which can only be applied to designated property projects of the Group.



### 18. 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 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Within 30 days	3,691	2,586
31 to 60 days	1,246	610
61 to 90 days	584	781
91 days or over	391	705
Trade payables under endorsed bills	48	123
Trade payables	5,960	4,805
Accrued selling and distribution expenses	473	376
Accruals and other payables	1,133	866
Accrued staff costs	519	574
Deposits received for sales of goods	1,113	1,042
Deposits received for sales of properties	394	258
Deposits received for Shenzhen Gongming Town Cooperation (note 12)	1,250	–
Membership fee received	261	224
Other deposits received	486	428
Payables for purchase of property, plant and equipment	154	46
Sales rebate payable	714	552
VAT payable	166	70
	<b>12,623</b>	<b>9,241</b>

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

### 19. BILLS PAYABLE

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

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Within 30 days	774	855
31 to 60 days	770	955
61 to 90 days	860	871
91 days or over	1,290	1,413
	<b>3,694</b>	<b>4,094</b>

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

**20. 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 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
At the beginning of the period/year	485	410
Imputed interest expenses for the period/year	13	26
Changes in estimated redemption price regarding put options to the employees recognised in equity	33	49
Release of obligations arising from put options written to non-controlling interests ( <i>Note</i> )	(538)	–
Exchange realignment	7	–
At the end of the period/year	–	485

*Note:*

In September 2007, Shenzhen Chuangwei-RGB Electronics Co., Ltd. (“RGB”), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements and related supplementary agreements with senior management and staffs (the “Employees”) of Shenzhen Skyworth Digital Technology Co., Ltd. (“SSDT”), a subsidiary of the Company, for the disposal of, in aggregate, 12% of the equity interests in SSDT to the Employees. Pursuant to the supplementary agreements in November 2007, the Employees have an option to sell the shares to RGB at net asset value of the latest audited financial statements of SSDT and RGB is obliged to buy the shares of SSDT from the Employees, when they cease their employment and before the initial public offering of SSDT shares.

On 20 November 2007, RGB entered into sale and purchase agreements with each of independent third parties, Mr. Li Pu, Mr. Ye Xiao Bin and 深圳市領優投資有限公司 (the “Purchasers”). Under the agreements, RGB agreed to dispose of, in aggregate, 16% of the equity interest in SSDT to the Purchasers. Based on the terms of the agreements, RGB also wrote a put option to the Purchasers that if the shares of SSDT are not listed on any stock exchange, the Purchaser can require RGB to buy back their shares at the original consideration paid plus 10% guaranteed dividends per annum.

During the six months ended 30 September 2014, RGB disposed its equity interests in SSDT to China Resources Jinhua Co., Ltd. (“China Resources Jinhua”), whose shares are listed on the Shenzhen Stock Exchange, in exchange for the controlling interest in China Resources Jinhua pursuant to the terms of the framework agreement (see note 29 for details). Thereafter, SSDT is listed on the Shenzhen Stock Exchange through China Resources Jinhua and the obligations arising from put options written to non-controlling interests were released.





## 21. BANK BORROWINGS

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	98	294
Borrowing associated with foreign currency forward contracts ( <i>note 16(1)</i> )	628	829
Other bank borrowings	2,892	4,580
	<b>3,618</b>	<b>5,703</b>
Secured	2,426	2,060
Unsecured	1,192	3,643
	<b>3,618</b>	<b>5,703</b>
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	1,048	552
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	1,144	4,604
More than one year but not more than five years	263	250
More than five years	1,163	297
	<b>2,570</b>	<b>5,151</b>
	<b>3,618</b>	<b>5,703</b>
Less: Amounts due within one year shown under current liabilities	<b>(2,192)</b>	<b>(5,156)</b>
Amounts shown under non-current liabilities	<b>1,426</b>	<b>547</b>

## 22. SHARE CAPITAL

	Number of shares		Share capital	
	1 April 2014 to 30 September 2014	1 April 2013 to 31 March 2014	1 April 2014 to 30 September 2014 (unaudited) HK\$ million	1 April 2013 to 31 March 2014 (audited) HK\$ million
Ordinary shares of HK\$0.1 each:				
<b>Authorised:</b>				
At beginning and at end of the period/year	<b>10,000,000,000</b>	10,000,000,000	<b>1,000</b>	1,000
<b>Issued and fully paid:</b>				
At beginning of the period/year	<b>2,830,601,395</b>	2,803,431,469	<b>283</b>	280
Issue of shares upon exercise of share options	<b>501,000</b>	1,256,000	–	–
Issue of shares under scrip dividend scheme	–	25,913,926	–	3
At end of the period/year	<b>2,831,102,395</b>	2,830,601,395	<b>283</b>	283

## 23. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payments* to account for its share options (Note (i)) and share awards (Note (ii)). An amount of share-based payment expenses of HK\$28 million (for the six months ended 30 September 2013: HK\$17 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.

Pursuant to a special resolution passed on 20 August 2014, the Company adopted a new share option scheme under which the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employee, whether full time or part time, of any member of the Group (the “New Scheme”).

Options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK\$1 per grant. Options may be exercised in portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, will lapse on 20 August 2024.

Each grant of an option to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors, excluding any independent non-executive director who is the grantee of the option.



### 23. SHARE-BASED PAYMENTS (continued)

#### Note (i): Share options (continued)

Under the New Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the New Scheme or exceed any of the refreshed limit.

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the New Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total outstanding number of shares under the share option schemes of the Company is 96,708,500 (as at 31 March 2014: 93,409,500) representing approximately 3.4% (as at 31 March 2014: 3.3%) of the issued share capital of the Company as at the date of this report.

Details of the share options outstanding during the current period are as follows:

	1 April 2014 to 30 September 2014		1 April 2013 to 31 March 2014	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period/year	93,409,500	4.298	70,165,500	4.271
Granted during the period/year	3,800,000	3.868	24,500,000	4.178
Exercised during the period/year	(501,000)	0.374	(1,256,000)	0.455
Outstanding at the end of the period/year	96,708,500	4.301	93,409,500	4.298

### 23. 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
24 April 2014	266,000	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	1.1763	312,896	3.86	4.022	53.1130	4.9407	1.7931	10.73
24 April 2014	266,000	24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	1.1757	312,736	3.86	4.022	53.1130	4.9407	1.7931	10.73
24 April 2014	268,000	24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	1.1723	314,176	3.86	4.022	53.1130	4.9407	1.7931	10.73
	<u>800,000</u>				<u>939,808</u>						
9 July 2014	750,000	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	1.2078	905,850	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	1.2076	905,700	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	1.2059	904,425	3.87	3.87	50.3700	4.0217	1.7359	10.73
9 July 2014	750,000	9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	1.2023	901,725	3.87	3.87	50.3700	4.0217	1.7359	10.73
	<u>3,000,000</u>				<u>3,617,700</u>						
	<u>3,800,000</u>				<u>4,557,508</u>						

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

The Group recognised in the total expense of HK\$18 million for the period (for the six months ended 30 September 2013: HK\$17 million) in relation to share options granted by the Company.



### 23. SHARE-BASED PAYMENTS (continued)

#### *Note (ii): Share awards*

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest.

During the period, a total of 27,836,000 shares in the Company have been awarded to certain directors and employees of the Company at no consideration.

Vesting dates	Outstanding at	Movement		Outstanding at
	1 April 2014	during the period		30 September 2014
		Awarded	Allotted	
31 August 2015	–	9,266,000	–	9,266,000
31 August 2016	–	9,266,000	–	9,266,000
31 August 2017	–	9,304,000	–	9,304,000
	–	27,836,000	–	27,836,000
Weighted average fair value	–	HK\$3.43	–	HK\$3.43

During the period ended 30 September 2014, 13,032,000 shares of the Company were acquired at a total cost of HK\$52 million for this scheme and recognised in “shares held for share award scheme” to the condensed consolidated statement of changes in equity.

The total fair value of the awarded shares determined at the date of grant was HK\$96 million, of which HK\$10 million (for the six months ended 30 September 2013: nil) was recognised as an expense for the period.

The following assumptions were used to calculate the fair value of awarded shares:

Closing share price at date of grant	HK\$3.81
Expected life of awarded shares	1 to 3 years
Expected dividend yield	
– First year	5.74%
– Second year	5.12%
– Third year	5.61%
Risk free rate	2.07%
Fair value per awarded share	
– First year	HK\$3.6214
– Second year	HK\$3.4405
– Third year	HK\$3.2374

## 24. 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).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2014 HK\$ million	31 March 2014 HK\$ million		
<b>Available-for-sale financial assets:</b>				
Listed equity securities	78	79	Level 1	Quoted bid prices in an active market
<b>Derivative financial instruments:</b>				
Foreign currency forward contracts	4	(5)	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.
Performance swap contracts	(15)	–	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.



## 24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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

There is no transfer between different levels of the fair value hierarchy for both period ended 30 September 2014 and 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.

## 25. PLEDGE OF ASSETS

As at 30 September 2014, the Group's bank borrowings were secured by the following:

- (a) legal charges over prepaid lease payments on land use rights, and leasehold land and buildings with carrying values of HK\$71 million (as at 31 March 2014: HK\$71 million) and HK\$21 million (as at 31 March 2014: HK\$21 million) respectively; and
- (b) pledged bank deposits of HK\$1,350 million (as at 31 March 2014: HK\$1,572 million).

## 26. CAPITAL COMMITMENTS

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

	As at 30 September 2014 (unaudited) HK\$ million	As at 31 March 2014 (audited) HK\$ million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	23	117
Factory buildings and office premises under development	976	513
Investment in an available-for-sale investment	261	560
	<b>1,260</b>	<b>1,190</b>
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	1	–
Factory buildings and office premise under development	–	641
	<b>1</b>	<b>641</b>

**27. 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.

**28. RELATED PARTY TRANSACTIONS***Trading transactions*

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

	Six months ended 30 September	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
<b>Joint ventures</b>		
Advertising and promotional expenses paid	2	1
Purchases of finished goods	–	21
Purchases of raw materials	11	15
Sales of finished goods	–	8
Sales of raw materials	–	1
<b>Associates</b>		
Purchases of raw materials	25	59
Sales of finished goods	196	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	
	2014 (unaudited) HK\$ million	2013 (unaudited) HK\$ million
Short-term benefits	51	32
Share-based payments	14	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.





## 29. ACQUISITIONS OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY

On 19 April 2013, a conditional framework agreement (“Framework Agreement”) was entered into between (i) RGB, an indirect wholly-owned subsidiary of the Company, (ii) China Resources Jinhua, a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange, (iii) the minority shareholders of SSDT and (iv) China Resources Textiles Holdings Limited (“China Resources Textiles”), the controlling shareholder of China Resources Jinhua before the transaction, in relation to the disposal of interest in SSDT by RGB to China Resources Jinhua in exchange for the controlling interests in (i) 遂寧錦華紡織有限公司 (“Suining”) from China Resources Jinhua and (ii) China Resources Jinhua from China Resources Textiles.

Pursuant to the Framework Agreement, (i) RGB acquired 100% equity interest in Suining, and (ii) RGB and the minority shareholders of SSDT agreed to transfer 70% and 30%, respectively, equity interests in SSDT to China Resources Jinhua while RGB acquired 58.54% equity interests in China Resources Jinhua.

During the six months ended 30 September 2014, all the conditions precedent under the Framework Agreement have been fulfilled and the approval from the China Securities Regulatory Commission in respect of the transaction has been granted. After the completion, SSDT continues to be an indirect non-wholly owned subsidiary of the Company through its shareholding in China Resources Jinhua which acquired 100% equity interests in SSDT for the operation of digital set-top box business. RGB acquired 100% equity interest in Suining and 58.54% equity interest in China Resources Jinhua.

### *Acquisition of Suining and China Resources Jinhua*

RGB disposed its 70% equity interests in SSDT to China Resources Jinhua in exchange for (i) 100% equity interest in Suining from China Resources Jinhua and (ii) 58.54% equity interest in China Resources Jinhua from China Resources Textiles. Upon completion of the acquisition, SSDT continues to be an indirect non-wholly owned subsidiary of the Company through its shareholding in China Resources Jinhua which acquired 100% equity interests in SSDT from RGB and the minority shareholders of SSDT for the operation of digital set-top box business. Suining becomes a wholly-owned subsidiary of the Group and the transaction has been accounted for as business combination using the acquisition method. Suining engaged in spinning, weaving, manufacture and sales of textiles.

Acquisition-related costs relating to the above acquisition are excluded from the cost of acquisition and have been recognised as an expense in profit or loss.

The fair value of assets and liabilities recognised at the date of acquisition (determined on provisional basis) are as follows:

	HK\$ million
<b>Non-current Assets</b>	
Property, plant and equipment	171
Prepaid lease payments on land use rights	100
<b>Current Assets</b>	
Inventories	85
Prepaid lease payments on land use rights	4
Trade and other receivables	18
Bills receivable	29
Bank balances and cash	14
<b>Current Liabilities</b>	
Trade and other payables	(273)
Deferred income	(18)

## 29. ACQUISITIONS OF SUBSIDIARIES AND PARTIAL DISPOSAL OF A SUBSIDIARY (Continued)

### *Acquisition of Suining and China Resources Jinhua (Continued)*

The receivables acquired (which principally comprised trade and other receivables and bills receivable) with a fair value of HK\$47 million at the date of acquisition had gross contractual amounts of HK\$50 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK\$3 million.

The initial accounting for the assets and liabilities acquired in the above business combination with fair value of HK\$130 million have been determined on a provisional basis, awaiting the completion of professional valuations. The amounts of goodwill may be adjusted accordingly.

The goodwill arising on acquisition (determined on provisional basis) are as follows:

	HK\$ million
Deemed consideration transferred, represent fair value of the proportionate share (70% – 58.54%, i.e. 11.46%) of SSDT disposed	510
Less: Net assets acquired	(130)
<b>Goodwill arising on acquisition</b>	<b>380</b>

The cash inflows arising on acquisition are the bank balances and cash acquired from Suining, i.e. HK\$14 million.

During the six months ended 30 September 2014, Suining did not have material contribution to the turnover and profit of the Group.

On 7 November 2014, China Resources Jinhua is renamed as Skyworth Digital Co., Limited.

### *Disposal of partial interest in SSDT*

An amount of HK\$240 million represents the difference between (i) the fair value of 11.46% of SSDT of HK\$510 million and (ii) the carrying amount of the non-controlling interests of SSDT of HK\$270 million attributable to the disposed interest in SSDT measured by reference to the proportionate share (11.46%) of recognised amounts of net assets of SSDT to China Resources Textiles arisen from the transactions are recognised in accumulated profits.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**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 12 to 41, which comprise the condensed consolidated statement of financial position as of 30 September 2014 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

24 November 2014

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors (the “Board”) of Skyworth Digital Holdings Limited (the “Company”) has resolved to pay an interim dividend for the six months ended 30 September 2014 of HK9.5 cents (2013: HK8.5 cents) per ordinary share, totaling approximately HK\$270 million (2013: HK\$239 million) to the shareholders of the Company on or around 30 January 2015 whose names appear on the register of members of the Company at the close of business on 12 December 2014. 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, SHARE OPTIONS AND AWARDED SHARES

As at 30 September 2014, the interests of the directors and of their associates in the shares, share options and awarded shares 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 2014, 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		8,247,003	0.29%
	Held by spouse	(Note b)	1,006,694,146	35.56%
		(Note c)	1,014,941,149	35.85%
Yang Dongwen	Beneficial owner		15,600,305	0.55%
Lu Rongchang	Beneficial owner		4,291,005	0.15%
Shi Chi	Beneficial owner		1,328,316	0.05%
Li Weibin	Beneficial owner		1,000,000	0.04%
So Hon Cheung, Stephen	Beneficial owner		111,273	0.01%

*Note a:* 929,375,184 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 929,375,184 ordinary shares of the Company.

*Note b:* Ms. Lin Wei Ping is interested in 1,014,941,149 ordinary shares of the Company, which comprise 8,247,003 shares held by herself, the deemed interests in 1,006,694,146 shares held by her spouse Mr. Wong Wang Sang, Stephen.

*Note c:* Mr. Wong Wang Sang, Stephen is interested in 1,014,941,149 ordinary shares of the Company, which comprise 77,318,962 shares held by himself, the deemed interests in 929,375,184 shares held by Target Success Group (PTC) Limited and the deemed interests in 8,247,003 shares held by her spouse Ms. Lin Wei Ping.



### ***DIRECTORS' INTEREST IN SHARES, SHARE OPTIONS AND AWARDED SHARES (Continued)***

**(b) *Share options of the Company***

As at 30 September 2014, certain directors of the Company had personal interests in the share options granted under the Company's share option schemes as follows:

<b>Name of director</b>	<b>Capacity</b>	<b>Number of share options held/ underlying shares of the Company</b>
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

**(c) *Awarded shares of the Company***

As at 30 September 2014, certain directors of the Company had personal interests in the awarded shares granted under the Company's share award scheme as follows:

<b>Name of director</b>	<b>Capacity</b>	<b>Number of awarded shares held/ underlying shares of the Company</b>
Yang Dongwen	Beneficiary of a trust	1,000,000
Lu Rongchang	Beneficiary of a trust	500,000
		1,500,000

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 September 2014, 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 2014.

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 2014, 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
<b>Long positions</b>			
Target Success Group (PTC) Limited	Trustee ( <i>Note a</i> )	929,375,184	32.83%
Wong Wang Sang, Stephen	Beneficial owner	77,318,962	2.73%
	Held by spouse ( <i>Note b</i> )	8,247,003	0.29%
	Interest of corporation controlled ( <i>Note a</i> )	929,375,184	32.83%
		1,014,941,149	35.85%
Lin Wei Ping	Beneficial owner	8,247,003	0.29%
	Held by spouse ( <i>Note c</i> )	1,006,694,146	35.56%
		1,014,941,149	35.85%
LSV Asset Management	Investment Manager	143,762,000	5.08%

*Note a:* 929,375,184 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 929,375,184 ordinary shares of the Company.

*Note b:* Mr. Wong Wang Sang, Stephen is interested in 1,014,941,149 ordinary shares of the Company, which comprise 77,318,962 shares held by himself, the deemed interests in 929,375,184 shares held by Target Success and the deemed interests in 8,247,003 shares held by her spouse Ms. Lin Wei Ping.

*Note c:* Ms. Lin Wei Ping is interested in 1,014,941,149 ordinary shares of the Company, which comprise 8,247,003 shares held by herself, the deemed interests in 1,006,694,146 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 2014.



## 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 2014:

### Under 2008 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2014	Granted during the period	Exercised/cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2014
<b>Directors:</b>								
<b>Yang Dongwen</b>								
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
<b>Chan Wai Kay, Katherine</b>								
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
<b>Lu Rongchang</b>								
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)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2014	Granted during the period	Exercised/cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2014
<b>Directors: (Continued)</b>								
<b>Lu Rongchang (Continued)</b>								
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
<b>Shi Chi</b>								
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	-	-	-	600,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	600,000	-	-	-	600,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	600,000	-	-	-	600,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	600,000	-	-	-	600,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	-	-	-	600,000
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	-	-	-	1,000,000
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	1,000,000	-	-	-	1,000,000
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	1,000,000	-	-	-	1,000,000
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	1,000,000	-	-	-	1,000,000
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	-	-	-	1,000,000
				41,000,000	-	-	-	41,000,000
<b>Employees/Consultants:</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	365,500	-	(500)	-	365,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	638,500	-	(112,500)	-	526,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	882,000	-	(163,000)	-	719,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	2,021,500	-	(225,000)	-	1,796,500





## 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 2014	Granted during the period	Exercised/cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2014
<b>Employees/Consultants: (Continued)</b>								
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	8,378,000	-	-	-	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
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 HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2014	Granted during the period	Exercised/cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2014
<b>Employees/Consultants: (Continued)</b>								
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
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	400,000	-	-	-	400,000
24 April 2014	4.022	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	-	266,000	-	-	266,000
		24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	-	266,000	-	-	266,000
		24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	-	268,000	-	-	268,000



## 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 2014	Granted during the period	Exercised/ cancelled during the period (Note a)	Lapsed during the period	Outstanding at 30 September 2014
<b>Employees/Consultants: (Continued)</b>								
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	-	750,000	-	-	750,000
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	-	750,000	-	-	750,000
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	-	750,000	-	-	750,000
		9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	-	750,000	-	-	750,000
				52,409,500	3,800,000	(501,000)	-	55,708,500
				93,409,500	3,800,000	(501,000)	-	96,708,500

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 2014 was HK\$4.01.

## SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was approved by the Board on 24 June 2014 (the "Adoption Date"). The maximum number of shares can be awarded or held under the Share Award Scheme is limited to 2% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme is limited to 1% of the issued share capital of the Company from time to time.

During the period, the Company has purchased 13,032,000 shares of the Company's existing shares in the market for the purpose of the Share Award Scheme through an independent trustee.

During the period, 27,836,000 shares have been granted under the Share Award Scheme, which will be vested in the coming three years on 31 August 2015, 2016 and 2017 respectively.

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

Save as disclosed above, during the six months ended 30 September 2014, 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 contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2014.

## 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 2013/14.

## ***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 2013/14. The full terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link [investor.skyworth.com/html/index.php](http://investor.skyworth.com/html/index.php).

### ***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. Wei Wei (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. Wei Wei and Ms. Lin Wei Ping. Except that Ms. Lin Wei Ping is an executive director of the Company, the other three members are all independent non-executive directors of the Company.

During the period and up to the date of this report, the Nomination Committee held two meetings to review the composition of the Board, to review and assess the independence of independent non-executive directors and to approve the appointment of independent non-executive director for the Board. The Remuneration Committee held five 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 2014, to approve the grant of option and share awards for the Board and to review the directors' service contract.

### ***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. Wei Wei, 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 Wednesday, 10 December 2014 to Friday, 12 December 2014, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 30 January 2015, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712–16 Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong not later than 4:30 p.m. on Tuesday, 9 December 2014.

## ***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. Shi Chi and Ms. Chan Wai Kay, Katherine as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Wei Wei as independent non-executive directors.

By order of the Board

**Lin Wei Ping**  
*Executive Chairperson*

24 November 2014