

# Skyworth

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

(Incorporated in Bermuda with limited liability)

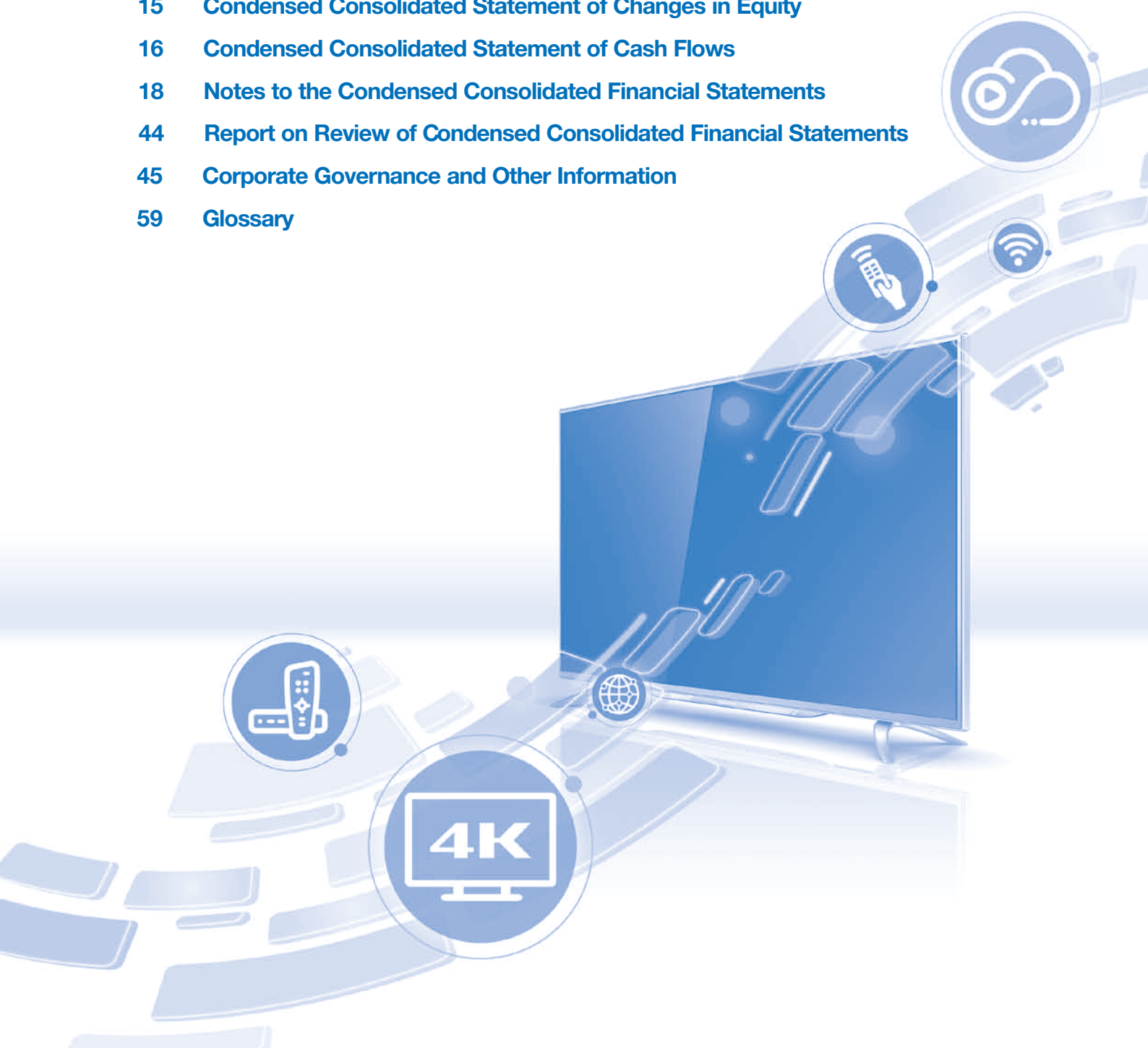
Stock Code : 00751



INTERIM  
REPORT  
**2015/16**

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# FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		Change
	2015 (unaudited)	2014 (unaudited)	
<b>OPERATING RESULTS</b>			
Revenue	19,549	18,478	+5.8%
EBIT	1,321	1,171	+12.8%
EBITDA	1,613	1,406	+14.7%
Net profit for the period	985	908	+8.5%
Profit attributable to owners of the Company	869	824	+5.5%
<b>FINANCIAL POSITION</b>			
Net cash from operating activities	164	2,280	-92.8%
Cash position*	4,528	4,352	+4.0%
Bank borrowings	6,346	3,618	+75.4%
Equity attributable to owners of the Company	13,954	11,745	+18.8%
Working capital	8,403	7,320	+14.8%
Bills receivable	5,015	6,866	-27.0%
Trade receivables	6,407	5,976	+7.2%
Inventories	4,623	5,302	-12.8%
<b>KEY RATIOS</b>			
Gross profit margin (%)	20.6%	19.5%	+1.1pp
EBIT margin (%)	6.8%	6.3%	+0.5pp
EBITDA margin (%)	8.3%	7.6%	+0.7pp
Profit margin (%)	5.0%	4.9%	+0.1pp
ROE (%)	12.5%	14.0%	-1.5pp
Debt to equity (%)**	41.1%	27.7%	-13.4pp
Net debt to equity***	Net Cash	Net Cash	N/A
Current ratio (times)	1.5	1.4	+7.1%
Trade receivable turnover period (days)****	112	135	-17.0%
Inventories turnover period (days)****	53	59	-10.2%
<b>DATA PER SHARE (HK CENTS)</b>			
Earnings per share – Basic	30.66	29.13	+5.3%
Earnings per share – Diluted	30.20	29.09	+3.8%
Dividend per share	9.60	9.50	+1.1%
Book value per share	539.50	414.87	+30.0%
<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)	2,863	2,831	+1.1%
Market capitalisation	14,945	11,409	+31.0%
Skyworth Digital Co., Ltd (Shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	999	499	+100.2%
Market capitalisation	13,288	12,506	+6.3%

\* Cash position refers to bank balances and cash 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

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

Mr. Li Weibin  
Mr. Wei Wei  
Mr. Cheong Ying Chew, Henry

## MEMBERS OF COMMITTEES

### Audit Committee

Mr. Cheong Ying Chew, Henry (*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. Li Weibin  
Mr. Cheong Ying Chew, Henry  
Ms. Chan Wai Kay, Katherine

### Remuneration Committee

Mr. Li Weibin (*Chairperson*)  
Mr. Wei Wei  
Mr. Cheong Ying Chew, Henry  
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 Construction Bank (Asia) Corporation 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

## SHARES LISTING

Shares are listed on  
Hong Kong Exchanges and Clearing Limited  
Stock Code: 00751

## IMPORTANT INFORMATION FOR 2015/2016

### Results Announcement Date

Interim Results: 23 November 2015 (Monday)

### Important Details for Interim Dividend

#### Dividend Per Share

HK9.6 cents, with scrip option

#### Closing Period of the Register of Members

From 9 December 2015 (Wednesday) to  
11 December 2015 (Friday), both days inclusive

#### Scrip Price Fixing Period

From 7 December 2015 (Monday) to  
11 December 2015 (Friday), both days inclusive

#### Record Date

11 December 2015 (Friday)

#### Dividend Payment Date

Around 3 February 2016 (Wednesday)

## COMPANY WEBSITE

<http://www.skyworth.com>

# OPERATIONAL AND FINANCIAL REVIEW

## RESULT HIGHLIGHTS

The Group recorded the following financial results for the Reporting Period:

- Revenue amounted to HK\$19,549 million (78.2% from mainland China market), representing an increase of 5.8% compared to the same period last year.
- Sales of TV products and digital set-top boxes accounted for 73.3% and 11.2% of the Group's total revenue, respectively.
- Gross profit achieved HK\$4,023 million, increased by 11.4%; the gross profit margin was 20.6%, increased by 1.1 percentage point compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Reporting Period were HK\$985 million and HK\$869 million, respectively, increased by 8.5% and 5.5%, respectively, on a year-on-year basis.
- The Board has resolved an interim dividend of HK9.6 cents per share with an option to elect scrip dividend in lieu of cash.

## BUSINESS PERFORMANCE REVIEW

### Moderate increase in revenue

The Group's revenue for the Reporting Period amounted to HK\$19,549 million, representing an increase of 5.8% compared to the same period last year.

In mainland China market, the Group has continuously focused on large panel and ultra-high definition products. The Group kept debut new innovative products and speeded up the vertical integration of online and offline business strategy, resulted in a continuous increase in the proportion of sales volume through e-commerce sales channel. Currently, the sales of TV products under Coocaa brand represents 4.7% of sales in the mainland China market, increased by 1.6 percentage point when compared with the same period in the previous year. In addition, the Group will continue to explore acquisition opportunities in the overseas market, and focus our effort in improving the brand awareness as well as market shares of our own-branded products outside China. During the Reporting Period, the Company has been selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index, which further affirmed that the Group was an excellent company in the market. As the sales quantity of the TV products increased by 11.0% compared with that of the same period last year, the Group delivered an increment in revenue.





During the Reporting Period, the Group's sales volume of TV by product and geographical segments are as follows:

	April to September 2015 Unit ('000)	April to September 2014 Unit ('000)	April to September 2015 vs. April to September 2014 Increase/ (Decrease)
<b>TV sales volume</b>			
<b>China Market</b>	<b>4,452</b>	4,328	3%
which comprises:			
– <b>Smart TV (4K)</b>	<b>1,095.7</b>	574.5	91%
– <b>Smart TV (Non-4K)</b>	<b>1,632.6</b>	1,541.1	6%
– <b>Other Flat Panel TV</b>	<b>1,723.7</b>	2,212.8	(22%)
<b>Overseas Market</b>	<b>2,143</b>	1,610	33%
which comprises:			
– <b>LED LCD TV</b>	<b>2,139.1</b>	1,607.8	33%
– <b>Other TV</b>	<b>3.4</b>	2.3	48%
<b>Total TV sales volume</b>	<b>6,595</b>	5,938	11%

## Revenue analysis by geographical and product segments

### Mainland China Market

During the Reporting Period, the revenue of mainland China market accounted for 78.2% of the Group's total revenue, recorded an increase of 3.0% from HK\$14,856 million for the same period last year to HK\$15,296 million.

The Group's TV business revenue in mainland China accounted for 73.5% of the total domestic revenue. The sales of digital set-top boxes, white appliances and LCD modules accounted for 9.3%, 6.4% and 1.9% of domestic revenue respectively. Other business units include those engaged in rental collection, property development, lighting products, security systems, air conditioner, other electronic products and financial services, etc., attributed the remaining 8.9% of domestic revenue.

### TV products

The TV market in mainland China has entered into a competitive stage both in high-end products and content services. To cope with this, the Group has persisted in developing products with innovative technology and smart features. During the Reporting Period, the Group applied products differentiation as our selling strategy and continuously strengthen our position as a high-end brand. The Group has emphasised in promoting Smart TV products with higher profit margin and higher average selling price. As a result, the portion of 4K Smart TV products sales volume to the total TV products sales volume in the mainland China reached 24.6%, represented a year-on-year growth of 90.7%. This had minimised the impact from decreasing average selling price and the revenue of TV products in the mainland China market recorded HK\$11,241 million, comparing with HK\$11,396 million recorded in the same period of previous year, representing a slight decrease of 1.4%.

Along with the increasing popularity of internet and the booming numbers of internet users, the e-commerce business has run into a great opportunity to develop and grow. The Group has seized this opportunity by positioning its subsidiary, Coocaa Company, as an internet brand. On one hand, leveraging on the continued increase in sale of our Smart TV, the Group has determined to adhere to the internet transformation strategy and has developed eight business models in order to derive servicing income, which include: content, advertising, education, shopping, gaming, travelling, Apps store and music, Coocaa Company is pushing forward the services development on smart platform; on the other hand, Coocaa Company has kept improving its infrastructure of services platform including payment system, operating system, online after-sales service system, etc., in order to implement its monetisation strategy. Coocaa brand targets mainly on the youth community. In order to create a soundbite within the youngsters, Coocaa Company has developed a fans group with high viscosity that involves itself into the fans lives and to create a lifestyle that being pursued.

According to the extrapolated TV sales data based on the market survey covering 711 cities with 6,023 retail terminals in the 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 in the PRC, the Group's market shares among local and foreign TV brands in the mainland China for the 12 months ended 30 September 2015 are as follows:

	Ranking	Market share
All TV		
– Volume	1	17.3%
– Revenue	1	16.8%
LCD TV (included CCFL and LED LCD TV)		
– Volume	1	17.4%
– Revenue	1	16.9%
4K UHD TV		
– Volume	1	20.0%
– Revenue	2	17.9%





#### *Digital set-top boxes*

The revenue of digital set-top boxes in the mainland China market recorded HK\$1,429 million, representing an increase of 30.1% or HK\$331 million, compared with HK\$1,098 million recorded in the same period of previous year.

Throughout the years, the Group has constructed a smart eco-system, based on broadcasting networks, telecommunication networks and internet that amid the system of “Platform + Content + Terminal + Application”, as well as to ally with its strategic partners such as cable operators, content, application and channel providers, etc. The Group has progressively unveiled digital TV, intelligent network, the full spectrum of IPTV set-top boxes, intelligent network access equipment, intelligent vehicle network, goods linked network and other series of smart products, the system and operational service fully meet the demands of cable operators and end-users. During the Reporting Period, driven by larger business coverage and high-end market share, the Group marked a favorable result in revenue.

#### *White Appliances*

The revenue of white appliances in the mainland China market recorded HK\$983 million, representing a decrease of 10.6% or HK\$117 million, compared with HK\$1,100 million recorded in the same period of previous year.

During the Reporting Period, the Group aimed to expand the market share of white appliances business by setting up the professional sales and after sales services etc. Meanwhile, the Group adopted the strategy to upgrade in 5 aspects covering our product, quality, manufacturing, market and brand, rapidly enhanced the brand awareness and consumers' trust.

In order to promote sales and develop Skyworth and Toshiba products in the mainland China and Japan, the Group formed a strategic partnership with Toshiba Lifestyle Products and Services Corporation and will acquire 5% equity interests in each of Toshiba HA Manufacturing (Nanhai) Co., Ltd. and Toshiba Home Appliances Manufacturing (Shenzhen) Co., Ltd.. According to the strategic agreements, the Group was granted an exclusive sales right in the PRC for designated models of refrigerators, washing machines, and vacuum cleaners manufactured by the two aforementioned Toshiba companies. This will further enhance its revenue and market position of white appliances.

#### *LCD Modules*

The revenue of LCD modules in the mainland China recorded HK\$287 million, representing a decrease of 1.7% or HK\$5 million, compared with HK\$292 million recorded in the same period of previous year.

During the Reporting Period, owing to a weakened market demand, the orders from TV module and LED module customers dropped slightly, resulting in a mild decrease in revenue when compared with the same period of previous year. Although the small to medium module products showed a delightful sales result, it is unable to offset the downsides of certain products. However, the Group has years of experiences in developing LED backlight products and possessed mature technology. With an excellent customer base and customers' trust and support, it is anticipated that the situation will be improved in the second half of the financial year.



## Overseas Markets

The revenue generated from the overseas markets accounted for HK\$4,253 million, or 21.8% of the Group's total revenue for the Reporting Period. Comparing with HK\$3,622 million recorded in the same period of previous year, representing an increase of 17.4%.

### *TV products*

The revenue of overseas TV products for the Reporting Period was HK\$3,081 million, or 72.4% of the total overseas revenue for the Reporting Period, comparing with HK\$2,040 million recorded in the same period of previous year, representing an increase of 51.0%.

During the Reporting Period, the Group successfully acquired the TV segment of METZ in Germany. After setting up its branch office in Germany, and leveraging on the brand awareness and distribution channels of METZ in Germany and Europe, the Group will implement a parallel dual-brand marketing strategy to promote the Group's products in the European markets. The Group participated in the IFA exhibition in Berlin. During the IFA exhibition, the Group demonstrated a variety of self-developed high intelligence products with the latest technology, and also established a smart home experience center which allows users to experience the wonderful features of Skyworth products, in our effort to further strengthen our brand reputation in the European markets.

Over the years, with OEM and ODM as our foundation in the overseas market, we publicise and promote through incorporating branches in different countries to further enhance our brand popularity and awareness. During the Reporting Period, our own brand sales in overseas market has increased by 43.2%, on a year-on-year basis. In addition, the Group would tailor made its product mix according to the market demand of individual market, as well as rapidly ramping up our higher-end products to achieve our target of increasing the sales in the overseas market.

It is anticipated that in the second half of the financial year, the Group will continuously apply a dual-brand marketing strategy in African and European markets, so as to tackle the European markets which will be one of the major growth drivers in the overseas market in the next three to four years.

### *Digital set-top boxes*

The revenue of digital set-top boxes in the overseas market for the Reporting Period recorded HK\$752 million, comparing with HK\$1,172 million recorded in the same period of previous year, representing a decrease of 35.8%.

During the Reporting Period, our overseas development strategy for digital set-top box is to utilise its market competitive advantages, to actively exploit the European and American markets. The Group aimed to establish an international sales team and to create a diversified sales channels and service platforms. Meanwhile, the business model will extend from B2B to B2C, in order to provide multi-business operators with value-added, professional services, end-to-end distribution and delivery services of set-top boxes, for promoting its brand value and improving its bargaining power. The Group has acquired Strong Media in Europe, and by utilising its existing distribution channels and customer networks, we aim to improve brand image and awareness in the European markets. All of these will help to accelerate the growth of our overseas sales in the second half of the financial year.



#### *Geographical distribution of revenue in overseas markets*

During the Reporting Period, Asia, Africa, America and Europe dominate the Group's overseas markets, with aggregation up to 96% in the overseas revenue. The revenue from Asia market rose by 14 percentage points due to emerging markets expansion. The geographical distribution of the revenue in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2015 (%)	2014 (%)
Asia	40	26
Africa	20	26
America	30	24
Europe	6	17
Middle East	4	6
Australia and New Zealand	0	1
	<b>100</b>	100

#### **Gross profit margin**

During the Reporting Period, the overall gross profit margin of the Group increased 1.1 percentage point from 19.5% to 20.6% in comparison to the same period last year.

During the Reporting Period, apart from stringent cost and expenditure control, the Group constantly adjusts its product mix in line with the market needs. We focused on promoting products with higher profit margin and larger size smart products. The sales volume of star products with 49 inches or above has been increased quite significantly on monthly basis and drove an increase in gross profit margin year-on-year. The sales volume of 4K Smart TV which has higher gross profit margin showed a 90.7% year-on-year growth which accounted for 16.6% of the total sales volume. This is a key factor that directly improved the gross profit margin.

#### **Operating expenses**

The Group's selling and distribution expenses for the Reporting Period decreased by HK\$11 million or 0.5% to HK\$2,236 million. The selling and distribution expenses to revenue ratio decreased by 0.8 percentage points from 12.2% to 11.4%.

The Group's general and administrative expenses for the Reporting Period rose by HK\$250 million or 31.6% to HK\$1,040 million. The general and administrative expenses to revenue ratio increased by 1.0 percentage points from 4.3% to 5.3%. In which, research and development expenses increased by HK\$201 million or 62.6% to HK\$522 million, the Group had devoted plenty of resources in research and development expenses during the Reporting Period to offer high quality smart products with latest features.

## LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy to maintain a stable financial growth. The Group's net current assets as at the end of the Reporting Period was HK\$8,403 million, decreased by HK\$589 million or 6.6%, when compared with that as at 31 March 2015. As at the end of the Reporting Period, bank balances and cash amounted to HK\$4,163 million, representing an increase of HK\$846 million when compared with that as at 31 March 2015; also an increase of HK\$1,161 million when compared with that as at 30 September 2014. Pledged bank deposits amounted to HK\$365 million decreased by HK\$58 million when compared with that as at 31 March 2015.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$365 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\$201 million (as at 31 March 2015: HK\$206 million) as at the end of the Reporting Period.

The Group adheres to its principle of prudence and committed to maintain a healthy financial position. At the end of the Reporting Period, total bank loans amounted to HK\$6,346 million. Equity attributable to owners of the Company amounted to HK\$13,954 million (as at 31 March 2015: HK\$13,739 million). The debt to equity ratio revealed as 41.1% (as at 31 March 2015: 17.0%). Other key financial ratios are included in Financial Highlight of the interim financial report.

## TREASURY POLICY

The Group's major investments and revenue streams are derived from the mainland China. The Group's assets and liabilities are mainly denominated in 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 Reporting Period, since RMB was significantly depreciated, the Group recognised a decrease in net foreign exchange gains to HK\$19 million associated with the fluctuation of RMB.

The management of the Group regularly reviews the foreign currency and interest rate exposures, in order to determine the need on hedging of foreign exchange. It is expected that in the second half of the financial year, RMB will remain steady or slightly depreciate. However, since RMB is the Group's major transaction currency, it is anticipated that the Group will not expose to a significant exchange rate risk due to the fluctuation of RMB. In addition, the Group actively reduces loans and payables which are denominated in US dollars, so as to minimise losses triggered by its appreciation.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Period, in order to cope with the expanding production scale and improving production capacity, an addition of HK\$316 million in construction projects were underway. This includes expansion of production plant and improvement of facilities in production plants located in Guangzhou, Nanjing, Yichun and Shenzhen. The Group had also spent approximately HK\$271 million on ancillary machinery in production lines and other equipment. The Group planned to further invest HK\$953 million on property, plant and equipment, factory buildings and office premises under development, in order to cater for future business needs in intelligent, diversified and internationalised products.

During the Reporting Period, the Group executed its internationalisation strategy by acquiring TV related assets from METZ at approximately EUR5.43 million, and acquired 80% equity interests in Strong Media at EUR24 million.

METZ is a high-tech company mainly engaged in manufacturing of high-end TV, camera flash light and injection molded parts. The Group acquired METZ's TV business related assets, which promoted a fast-paced supply chain development in the European market. At the same time, with METZ's research & development technology, reputable brand and existing distribution channels, the Group is able to benefit from these advantages to develop our own branded products in the European market.

Meanwhile, the Group has acquired Europe's leading set-top box brands – Strong Media, so as to combine our research, development, design, supply chain and manufacturing advantages with the international brand name, distribution channels and distribution capabilities of Strong Media. This will bring complementary resources and synergy for both companies and provide a greater impetus to the expansion of overseas market. This will enhance the Group's market share in Europe, Central Asia and North African markets.





## 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 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 2015, the Group had over 38,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 41 branches and 217 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in motivation and recognition of staff with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing punctual commentaries on latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group is continuously 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.

## OUTLOOK

The management of the Group acknowledged that the China TV competitive landscape has been transforming from hardware to "hardware + services", however, our overseas market is still in a fast growing stage. The fading out of the Japanese brands provides ample room for Chinese TV manufacturers to grow and seize the expansion in the overseas market. As such, the Group will formulate strategies in four aspects: product innovation, business model innovation, product diversification and internationalisation. At the same time, the Group will continue to promote more smart products to further develop our internet businesses.

2015 is the initial year for the Group to monetise our smart TV users. In the next three years, we will focus to form more strategic partnerships with internet platform providers, in order to accelerate the monetisation of our big data in the following eight areas: content, advertising, education, shopping, gaming, travelling, Apps store and music. During the revolutions of technology, smart home products will become the mainstream in the market. Leveraging on the success of our TV and set top box in the China market, we will integrate our refrigerator, washing machine, air conditioner, lighting products and security system, etc., to create a health caring and environmental friendly smart home. In the second half of the financial year, the Group will endeavor to promote larger-size and higher-end smart TV products, coupled with building up our internet service platform and offering more online services, in our effort to attract customers to switch to smart products. This strategy will lead the Group to achieve its full year target in TV sales volume and revenue.

Furthermore, the Group will implement three strategies in the overseas market development: (i) To develop the overseas sales team to build an overseas terminal sales network by developing distribution channels and partnerships with local dealers; (ii) to increase the investment in research and development for products; (iii) to establish overseas production assembly factories. It is expected that by 2017, the Group can establish its entire overseas supply chain by establishing overseas production bases via self-development, acquisition and joint venture, etc. At the same time, overseas business will further expand from TV and set-top box to white appliances products such as refrigerator, washing machine and air conditioner. The overseas distribution channels and brand promotion of TV, will also be shared with the white appliances products, in order to create synergy and to generate the best returns for our stakeholders.

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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

	NOTES	Six months ended 30 September	
		2015 (unaudited)	2014 (unaudited)
Revenue	3	19,549	18,478
Cost of sales		(15,526)	(14,866)
Gross profit		4,023	3,612
Other income		606	568
Other gains and losses	5	(34)	45
Selling and distribution expenses		(2,236)	(2,247)
General and administrative expenses		(1,040)	(790)
Finance costs	6	(85)	(85)
Share of results of associates		(2)	–
Share of results of joint ventures		4	(4)
Profit before taxation		1,236	1,099
Income tax expense	7	(251)	(191)
Profit for the period	8	985	908
<b>Other comprehensive (expense) income</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(429)	124
Fair value loss on available-for-sale financial assets		(7)	(1)
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		(3)	–
Reclassification adjustment upon impairment of available-for-sale financial assets		10	1
Other comprehensive (expense) income for the period		(429)	124
Total comprehensive income for the period		556	1,032
Profit for the period attributable to:			
Owners of the Company		869	824
Non-controlling interests		116	84
		985	908
Total comprehensive income for the period attributable to:			
Owners of the Company		482	939
Non-controlling interests		74	93
		556	1,032
<b>Earnings per share (expressed in Hong Kong cents)</b>			
Basic	9	30.66	29.13
Diluted	9	30.20	29.09

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2015 (unaudited)	As at 31 March 2015 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	5,623	5,223
Deposits for purchase of property, plant and equipment		88	56
Investment properties		5	5
Prepaid lease payments on land use rights		595	550
Goodwill		506	411
Intangible assets	12	109	–
Interests in associates		17	18
Interests in joint ventures		56	54
Held-to-maturity investments	13	1,700	325
Available-for-sale investments	14	1,257	1,424
Finance lease receivables	15	184	–
Deferred tax assets		194	195
		<b>10,334</b>	<b>8,261</b>
<b>Current Assets</b>			
Inventories		4,623	4,342
Stock of properties		745	830
Prepaid lease payments on land use rights		16	14
Derivative financial instruments	16	–	1
Held-to-maturity investments	13	1,160	653
Available-for-sales investments	14	1,114	821
Held-for-trading investments		24	–
Trade and other receivables, deposits and prepayments	17	8,305	7,204
Loan receivables	18	717	96
Finance lease receivables	15	344	–
Bills receivable	19	5,015	7,297
Loan to a joint venture		–	25
Amounts due from associates		–	38
Prepaid tax		24	–
Pledged bank deposits		365	423
Bank balances and cash	20	4,163	3,317
		<b>26,615</b>	<b>25,061</b>
<b>Current Liabilities</b>			
Trade and other payables	21	9,762	9,154
Bills payable	22	3,760	4,835
Dividend payable	10	312	–
Derivative financial instruments	16	2	2
Provision for warranty		184	166
Amounts due to associates		16	5
Tax liabilities		109	448
Bank borrowings	23	3,877	1,274
Deferred income		190	185
		<b>18,212</b>	<b>16,069</b>
<b>Net Current Assets</b>		<b>8,403</b>	<b>8,992</b>
<b>Total Assets less Current Liabilities</b>		<b>18,737</b>	<b>17,253</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

AT 30 SEPTEMBER 2015

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2015 (unaudited)	As at 31 March 2015 (audited)
<b>Non-current Liabilities</b>			
Other payable	21	116	–
Provision for warranty		57	65
Bank borrowings	23	2,469	1,312
Deferred income		502	522
Deferred tax liabilities		147	151
		<b>3,291</b>	2,050
<b>NET ASSETS</b>			
		<b>15,446</b>	15,203
<b>Capital and Reserves</b>			
Share capital	24	286	285
Share premium		2,655	2,567
Share option reserve		200	221
Share award reserve		41	37
Shares held for Share Award Scheme		(105)	(76)
Investment revaluation reserve		–	–
Surplus account		38	38
Capital reserve		1,165	1,165
Exchange reserve		695	1,082
Accumulated profits		8,979	8,420
		<b>13,954</b>	13,739
Equity attributable to owners of the Company		<b>1,492</b>	1,464
Non-controlling interests		<b>15,446</b>	15,203



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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	Accumulated profits	Total		
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 (note 25)	-	-	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	-	-	-	-	-	-	-	-	-	-	-	(33)	(33)
Release of obligations arising from put options written to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	-	-	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
Balance as at 1 April 2015 (audited)	285	2,567	221	37	(76)	-	38	1,165	1,082	8,420	13,739	1,464	15,203
Profit for the period	-	-	-	-	-	-	-	-	-	869	869	116	985
Exchange differences arising on translation	-	-	-	-	-	-	-	-	(387)	-	(387)	(42)	(429)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(7)	-	-	-	-	(7)	-	(7)
Cumulative gain reclassified to profit or loss upon disposal of investments classified as available-for-sales	-	-	-	-	-	(3)	-	-	-	-	(3)	-	(3)
Reclassification adjustment upon impairment of available-for-sale financial assets	-	-	-	-	-	10	-	-	-	-	10	-	10
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(387)	869	482	74	556
Purchase of shares for unvested shares under the share award scheme of the Company	-	-	-	-	(69)	-	-	-	-	-	(69)	-	(69)
Recognition of equity-settled share-based payments (note 25)	-	-	10	38	-	-	-	-	-	-	48	-	48
Dividend recognised as distribution (note 10)	-	-	-	-	-	-	-	-	-	(312)	(312)	-	(312)
Issue of shares under the share option scheme of the Company	1	96	(31)	-	-	-	-	-	-	-	66	-	66
Shares vested under the share award scheme of the Company	-	(8)	-	(32)	40	-	-	-	-	-	-	-	-
Lapse of vested share awards	-	-	-	(2)	-	-	-	-	-	2	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(76)	(76)
Non-controlling interests arising on acquisition of subsidiaries (note 31)	-	-	-	-	-	-	-	-	-	-	-	30	30
Balance as at 30 September 2015 (unaudited)	286	2,655	200	41	(105)	-	38	1,165	695	8,979	13,954	1,492	15,446



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Amounts expressed in millions of Hong Kong dollars

	NOTES	Six months ended 30 September	
		2015 (unaudited)	2014 (unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>164</b>	<b>2,280</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
Dividend received		–	8
Interest received		171	55
Purchase of property, plant and equipment		(612)	(535)
Proceeds on disposal of property, plant and equipment		229	–
Additions to prepaid lease payments on land use right		(26)	(42)
Deposits received for Shenzhen Gongming Town Cooperation		–	1,250
PRC income tax paid related to Shenzhen Gongming Town Cooperation		(354)	–
Investment in an associate		(1)	–
Investments in available-for-sales investments		(476)	(1,056)
Proceeds on disposal of available-for-sales investments		280	71
Investments in held-to-maturity investments		(2,072)	(493)
Proceeds on disposal of held-to-maturity investments		124	325
Advances to staffs		(64)	(5)
Repayments from staffs		56	6
Loan to a joint venture		–	(7)
Government grant received related to assets		93	84
Placement of pledged bank deposits		(21)	(669)
Withdrawal of pledged bank deposits		92	891
Placement of restricted bank deposits		(25)	(238)
Withdrawal of restricted bank deposits		86	212
Net cash (outflows) inflows on acquisition of subsidiaries	31, 32	(234)	14
		<b>(2,754)</b>	<b>(129)</b>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>			
Interest paid		(85)	(86)
Dividend paid to non-controlling interests		(76)	–
Contributions from non-controlling interests		–	3
Issue of share through exercise of share options		66	–
Purchase of shares for unvested shares under share award scheme		(69)	(52)
New bank borrowings raised		8,120	2,745
Repayment of bank borrowings		(4,371)	(4,839)
		<b>3,585</b>	<b>(2,229)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – continued

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015  
Amounts expressed in millions of Hong Kong dollars

	NOTE	Six months ended 30 September	
		2015 (unaudited)	2014 (unaudited)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>995</b>	(78)
<b>CASH AND CASH EQUIVALENTS AS AT 1 APRIL</b>		<b>3,217</b>	2,918
Effect of foreign exchange rate changes		(85)	31
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>		<b>4,127</b>	2,871
<i>Bank balances and cash represented:</i>			
Cash and cash equivalents		<b>4,127</b>	2,871
Restricted bank deposits		<b>36</b>	131
	20	<b>4,163</b>	3,002

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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 2015.

The Group's operations are seasonal, the revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue 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 2015.

## 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 Reporting Period are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2015.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.



## 2. PRINCIPAL ACCOUNTING POLICIES – continued

### Finance lease arrangements

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

### Application of new amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvement to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvement to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contribution

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

## 3. REVENUE

Revenue represents the aggregate value of goods and properties sold reduced for goods returns, rebates, trade discounts and sales related taxes, rental income from leasing of properties, and revenue from provision of processing service for the period. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
Manufacture and sales of TV products	14,322	13,436
Manufacture and sales of digital set-top boxes	2,181	2,270
Processing income and sales of LCD modules	354	348
Manufacture and sales of white appliances	1,132	1,323
Property rental income	132	122
Sales of properties	204	–
Others	1,224	979
	<b>19,549</b>	18,478

## 4. SEGMENT INFORMATION

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

### For the six months ended 30 September 2015 (unaudited)

	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>Revenue</b>									
Segment revenue from external customers	11,241	3,081	2,181	354	1,132	132	1,428	-	19,549
Inter-segment revenue	478	-	-	391	-	18	213	(1,100)	-
<b>Total segment revenue</b>	<b>11,719</b>	<b>3,081</b>	<b>2,181</b>	<b>745</b>	<b>1,132</b>	<b>150</b>	<b>1,641</b>	<b>(1,100)</b>	<b>19,549</b>
<b>Results</b>									
Segment results	858	79	212	42	56	95	(29)	-	1,313
Interest income									157
Unallocated corporate expenses less income									(151)
Finance costs									(85)
Share of results of associates									(2)
Share of results of joint ventures									4
<b>Consolidated profit before taxation of the Group</b>									<b>1,236</b>

### For the six months ended 30 September 2014 (unaudited)

	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>Revenue</b>									
Segment revenue from external customers	11,396	2,040	2,270	348	1,323	122	979	-	18,478
Inter-segment revenue	344	-	-	456	-	11	150	(961)	-
<b>Total segment revenue</b>	<b>11,740</b>	<b>2,040</b>	<b>2,270</b>	<b>804</b>	<b>1,323</b>	<b>133</b>	<b>1,129</b>	<b>(961)</b>	<b>18,478</b>
<b>Results</b>									
Segment results	774	50	279	85	29	82	(21)	-	1,278
Interest income									72
Unallocated corporate expenses less income									(162)
Finance costs									(85)
Share of results of joint ventures									(4)
<b>Consolidated profit before taxation of the Group</b>									<b>1,099</b>

#### 4. SEGMENT INFORMATION – continued

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	
	2015	2014
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Exchange gain, net	19	46
Gain on disposal of available-for-sale investments	3	–
Impairment loss recognised in respect of available-for-sale investments (note 14)	(10)	(1)
Impairment loss recognised in respect of trade receivables	(9)	–
Impairment loss recognised in respect of amount due from and loan to a joint venture	(31)	–
Loss from changes in fair value of derivative financial instruments (note 16)	(2)	–
Loss on disposal of property, plant and equipment	(4)	–
	(34)	45

#### 6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Interest on bank borrowings	85	72
Imputed interest expenses on obligations arising from put options written to non-controlling interests	–	13
	85	85

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
The charge (credit) comprises:		
PRC income tax		
Current period	257	185
(Over)underprovision in prior periods	(6)	10
	251	195
LAT	5	–
Taxation arising in jurisdictions outside the PRC:		
Current period	2	–
	258	195
Deferred taxation	(7)	(4)
	251	191

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%.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In 2011, the IRD initiated a tax audit on certain subsidiaries of the Company in Hong Kong and Macau for the years of assessments from 2002/2003 onwards. Assessments/estimated assessments for the years of assessment 2002/2003 to 2008/2009 were issued to the relevant subsidiaries. Tax reserve certificates in an aggregate amount of approximately HK\$17.5 million were purchased up to the date of this report. The documents submitted to the IRD are currently being reviewed and views are being exchanged with the IRD.

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2015	2014
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	15,336	14,821
Cost of stock of properties recognised as an expense	137	–
Depreciation of property, plant and equipment	284	227
Dividend income from unlisted investments	–	(8)
Government grants		
– related to assets	(93)	(84)
– related to expense items	(58)	(101)
	(151)	(185)
Imputed interest income from trade receivables	(4)	(6)
Interest income	(153)	(66)
	(157)	(72)
Release of prepaid lease payments on land use rights	8	8
Rental income from leasing of properties less related outgoings of HK\$53 million (for the six months ended 30 September 2014: HK\$45 million)	(79)	(77)
Staff costs, including Directors' emoluments	1,900	1,717
VAT refund	(190)	(153)



## 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	
	2015 <i>HK\$ million</i> (unaudited)	2014 <i>HK\$ million</i> (unaudited)
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>869</b>	824
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,834,459,507</b>	2,828,715,220
Effect of dilutive potential ordinary shares in respect of share options outstanding	<b>21,974,073</b>	3,220,793
Effect of dilutive potential ordinary shares in respect of share awards outstanding	<b>20,827,046</b>	864,786
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,877,260,626</b>	2,832,800,799

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the Company under 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 2015 and 2014.

## 10. DIVIDENDS

	Six months ended 30 September	
	2015	2014
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2015 Final dividend – HK11.0 cents (for the six months ended 30 September 2014: 2014 Final dividend – HK6.5 cents) per share	315	184
Special cash dividend paid upon the completion of acquisition of subsidiaries and partial disposal of a subsidiary	–	114
Less: Dividends for shares held by Share Award Scheme ( <i>note 25(ii)</i> )	(3)	–
	<b>312</b>	298

The final dividend for the year ended 31 March 2015 of HK11.0 cents per share, amounting to HK\$312 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 2015. Such dividend payable to Shareholders was settled subsequently on 20 October 2015. Of such final dividend, an aggregate amount of HK\$227 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The Board has resolved that an interim dividend of HK9.6 cents per share for the Reporting Period, amounting to approximately HK\$280 million in total, be paid to the Shareholders whose names appear in the Register of Members on 11 December 2015 with an option to elect scrip dividend wholly or partly in lieu of cash dividend.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group had incurred approximately HK\$288 million (for the six months ended 30 September 2014: approximately HK\$303 million) in construction in progress, mainly for the development of factory buildings and an office premise situated on land in the PRC, and spent approximately HK\$307 million (for the six months ended 30 September 2014: approximately HK\$472 million) on the acquisition of other property, plant and equipment for business operations and expansion.

In addition, during the Reporting Period, property, plant and equipment of HK\$244 million were acquired through acquisition of a subsidiary, details of which are set out in note 32.

## 12. INTANGIBLE ASSETS

Intangible assets (i.e. trademarks) of approximately HK\$109 million (determined on provisional basis) were acquired in business combination as detailed in note 31.

Such trademarks have legal life ranging from 10 to 21 years but are renewable upon expiration at minimal cost. The Directors are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the Directors as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

## 13. MOVEMENTS IN HELD-TO-MATURITY INVESTMENTS

During the Reporting Period, the Group invested HK\$2,072 million (for the six months ended 30 September 2014: HK\$493 million) in certain debt securities in the PRC.

The Directors conducted a review of the recoverable amounts of the Group's held-to-maturity investments at the end of the Reporting Period. None of these assets has been impaired at the end of the Reporting Period.

## 14. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS

During the Reporting Period, the Group invested HK\$80 million (for the six months ended 30 September 2014: HK\$355 million) and HK\$396 million (for the six months ended 30 September 2014: HK\$701 million) in certain unlisted equity securities in the PRC and other financial instruments, respectively.

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\$10 million (for the six months ended 30 September 2014: HK\$1 million) is required to be made.



## 15. FINANCE LEASE RECEIVABLES

During the Reporting Period, the Group entered a finance lease contract with principal amount of approximately RMB440 million (equivalent to approximately HK\$535 million). All interest rates inherent in the lease are fixed at the contract date over the lease terms.

	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Analysed as:		
Current	344	–
Non-current	184	–
	<b>528</b>	–

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Finance lease receivables comprise:				
Within one year	383	–	344	–
In more than one year but not more than two years	191	–	184	–
	<b>574</b>	–	<b>528</b>	–
Less: Unearned finance income	<b>(46)</b>	–	<b>N/A</b>	–
Present value of minimum lease payment receivables	<b>528</b>	–	<b>528</b>	–

Effective interest rate of the above finance lease is 10.41% per annum.

Finance lease receivables are secured over the assets leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
<b>Assets</b>		
Performance swap contracts ( <i>Note 1</i> )	–	1
<b>Liabilities</b>		
Foreign currency forward contracts ( <i>Note 2</i> )	2	2
<b>Six months ended 30 September</b>		
	2015 <i>HK\$ million</i> (unaudited)	2014 <i>HK\$ million</i> (unaudited)
(Loss) gain from changes in fair value of derivative financial instruments comprise:		
– Performance swap contracts ( <i>Note 1</i> )	–	(9)
– Foreign currency forward contracts ( <i>Note 2</i> )	(2)	9
	(2)	–

### Note 1: Performance swap contracts

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\$. Details of the three performance swap contracts have been disclosed in the annual report of the Group for the year ended 31 March 2015.

During the Reporting Period, no material changes in fair value of these performance swap contracts had been recognised in profit or loss. Such contracts were knocked-out and terminated during the current period.

During the six months ended 30 September 2014, loss from change in fair value of HK\$9 million in respect of another performance swap contract had been recognised in profit or loss. Such contract was knocked-out and terminated during the year ended 31 March 2015.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS – continued

### Note 2: Foreign currency forward contracts

The Group had entered into arrangements with an established commercial bank in Hong Kong to purchase RMB in 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 2015 (unaudited)</b>		
<b>RMB63,428,414</b>	<b>From October 2014 to October 2015</b>	<b>Buy RMB/sell US\$ at 6.2304</b>

As at 31 March 2015 (audited)

RMB63,735,922	From August 2014 to August 2015	Buy RMB/sell US\$ at 6.2593
RMB63,965,447	From September 2014 to September 2015	Buy RMB/sell US\$ at 6.2819
RMB63,428,414	From October 2014 to October 2015	Buy RMB/sell US\$ at 6.2304

As at 30 September 2015, the fair value of the Group's foreign currency forward contracts was estimated to be a liability of HK\$2 million (as at 31 March 2015: HK\$2 million). These amounts were determined based on market rates quoted by the counterparty financial institutions at the end of the Reporting Period. During the Reporting Period, a loss arising from changes in fair value of the foreign currency forward contracts of HK\$2 million had been recognised in profit or loss (for the six months ended 30 September 2014: gain of HK\$9 million).

## 17. 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.

## 17. 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 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Within 30 days	2,918	2,083
31 to 60 days	1,017	701
61 to 90 days	605	565
91 to 365 days	1,399	1,403
366 days or over	468	506
Trade receivables	6,407	5,258
Purchase deposits paid for materials	288	367
Receivables from disposals of property, plant and equipment and prepaid lease payment on land use rights	–	207
Receivables from government for refunds paid to customers on buying energy-saving products	153	157
VAT receivables	508	483
Prepayment on acquisition of land for property development	240	–
Other deposits paid, prepayments and other receivables	709	732
	<b>8,305</b>	7,204

## 18. LOAN RECEIVABLES

As at 30 September 2015, the Group granted loans of an aggregate principal amount of RMB522 million (equivalent to HK\$637 million) (as at 31 March 2015: RMB77 million (equivalent to HK\$96 million)) to external borrowers. The loan receivables are unsecured, interest bearing at fixed rate ranging from 6.5% to 10.0% per annum (as at 31 March 2015: 6.4% to 8.0% per annum) and repayable within one year from the end of the Reporting Period.

## 19. BILLS RECEIVABLE

The maturity dates of bills receivable at the end of the Reporting Period are analysed as follows:

	As at 30 September 2015 HK\$ million (unaudited)	As at 31 March 2015 HK\$ million (audited)
Within 30 days	610	601
31 to 60 days	474	1,168
61 to 90 days	922	1,511
91 days or over	2,618	3,711
Bills endorsed to suppliers with recourse	4	5
Bills discounted to banks with recourse	387	301
	<b>5,015</b>	<b>7,297</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 21 and 23 respectively, are not derecognised in the condensed consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted to banks with recourse are less than six months from the end of the Reporting Period.

All bills receivable at the end of the Reporting Period are not yet due.

## 20. BANK BALANCES AND CASH

Included in bank balances and cash as at 30 September 2015 are restricted bank deposits of HK\$36 million (as at 31 March 2015: HK\$100 million), which can only be applied to designated property projects of the Group.



## 21. 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 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Within 30 days	3,312	2,325
31 to 60 days	750	897
61 to 90 days	370	546
91 days or over	367	323
Trade payables under endorsed bills	4	5
Trade payables	4,803	4,096
Accruals and other payables	990	1,046
Accrued staff costs	598	803
Accrued selling and distribution expenses	405	400
Deposits received for sales of goods	949	979
Deposits received for sales of properties	184	308
Membership fee received	251	237
Other deposits received	423	407
Payables for acquisition of subsidiaries ( <i>note 31</i> )	209	–
Payables for purchase of property, plant and equipment	106	91
Sales rebate payable	916	766
VAT payable	44	21
	<b>9,878</b>	9,154
Less: Amount due one year after end of Reporting Period under non-current liabilities ( <i>note 31</i> )	<b>(116)</b>	–
Amounts shown under current liabilities	<b>9,762</b>	9,154

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

## 22. BILLS PAYABLE

The maturity dates of bills payable at the end of the Reporting Period are analysed as follows:

	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Within 30 days	884	1,180
31 to 60 days	641	952
61 to 90 days	733	901
91 days or over	1,502	1,802
	<b>3,760</b>	4,835

All bills payable at the end of the Reporting Period are not yet due.

## 23. BANK BORROWINGS

	As at 30 September 2015 <i>HK\$ million</i> (unaudited)	As at 31 March 2015 <i>HK\$ million</i> (audited)
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	387	301
Other bank borrowings	5,959	2,285
	<b>6,346</b>	2,586
Secured	1,378	1,316
Unsecured	4,968	1,270
	<b>6,346</b>	2,586
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	615	578
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	3,262	696
More than one year but not more than five years	2,465	328
More than five years	4	984
	<b>5,731</b>	2,008
	<b>6,346</b>	2,586
Less: Amounts due within one year shown under current liabilities	<b>(3,877)</b>	(1,274)
Amounts shown under non-current liabilities	<b>2,469</b>	1,312



## 24. SHARE CAPITAL

	Number of Shares		Share capital	
	1 April 2015 to 30 September 2015	1 April 2014 to 31 March 2015	1 April 2015 to 30 September 2015 <i>HK\$ million</i> (unaudited)	1 April 2014 to 31 March 2015 <i>HK\$ million</i> (audited)
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>2,847,554,532</b>	2,830,601,395	<b>285</b>	283
Issue of Shares upon exercise of share options	<b>15,152,000</b>	1,139,000	<b>1</b>	–
Issue of Shares under scrip dividend scheme	–	15,814,137	–	2
At end of the period/year	<b>2,862,706,532</b>	2,847,554,532	<b>286</b>	285

## 25. 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\$48 million (for the six months ended 30 September 2014: HK\$28 million) has been recognised in the profit or loss in the current period.

### Note (i): Share options

The followings are the movements in the outstanding share options granted by the Company during the current and prior period/year.

	1 April 2015 to 30 September 2015		1 April 2014 to 31 March 2015	
	Number of share options	Weighted average exercise price <i>HK\$</i>	Number of share options	Weighted average exercise price <i>HK\$</i>
Outstanding at the beginning of the period/year	<b>96,070,500</b>	<b>4.308</b>	93,409,500	4.298
Granted during the period/year	–	–	3,800,000	3.868
Exercised during the period/year	<b>(15,152,000)</b>	<b>4.355</b>	(1,139,000)	2.040
Outstanding at the end of the period/year	<b>80,918,500</b>	<b>4.299</b>	96,070,500	4.308

The Group recognised in the total expense of HK\$10 million for the period (for the six months ended 30 September 2014: HK\$18 million) in relation to share options granted by the Company.

## 25. 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 Share Award 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 Reporting Period, 10,312,000 (for the six months ended 30 September 2014: 27,836,000) shares in the Company have been awarded to certain Directors and employees of the Group at no consideration on 20 July 2015.

Besides, a total of 8,694,000 (for the six months ended 30 September 2014: nil) awarded shares were vested and allotted on 31 August 2015.

Vesting dates	Outstanding at	Awarded	Movement		Outstanding at
	1 April		Allotted	Lapsed	30 September
	2015				2015
31 August 2015	9,266,000	–	(8,694,000)	(572,000)	–
31 December 2015	–	3,036,000	–	–	3,036,000
31 August 2016	9,266,000	–	–	(572,000)	8,694,000
31 December 2016	–	3,036,000	–	–	3,036,000
31 August 2017	9,304,000	–	–	(574,000)	8,730,000
31 December 2017	–	4,240,000	–	–	4,240,000
	27,836,000	10,312,000	(8,694,000)	(1,718,000)	27,736,000
Weighted average fair value	HK\$3.43	HK\$6.22	HK\$4.59	HK\$3.43	HK\$4.41

During the Reporting Period, 13,344,000 (for the six months ended 30 September 2014: 18,416,000) shares of the Company were acquired at a total cost of HK\$69 million (for the six months ended 30 September 2014: HK\$52 million) for this scheme which recognised and accumulated in equity under the heading of “shares held for share award scheme”.

The total fair value of the awarded shares made on 20 July 2015 determined at the date of grant was HK\$64 million. The fair value of the awarded shares granted on 20 July 2015 was determined by reference to the closing share price of the Company at date of grant, which was HK\$6.22 per share.

The Group recognised in the total expense of HK\$38 million for the period (for the six months ended 30 September 2014: HK\$10 million) in relation to share awards granted by the Company.

## 26. 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 2015 HK\$ million (unaudited)	31 March 2015 HK\$ million (audited)		
<b>Available-for-sale financial assets:</b>				
Listed equity securities	51	61	Level 1	Quoted bid prices in an active market
<b>Held-for-trading financial assets:</b>				
Unlisted investment fund	24	–	Level 2	Quoted bid prices for identical assets in market that are not active
<b>Derivative financial instruments:</b>				
Foreign currency forward contracts	(2)	(2)	Level 2	Discounted cash flow  Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Performance swap contracts	–	1	Level 2	Discounted cash flow  Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

There is no transfer between different levels of the fair value hierarchy for both periods ended 30 September 2015 and 2014.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured 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.

## 27. PLEDGE OF ASSETS

As at 30 September 2015, 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\$68 million (as at 31 March 2015: HK\$71 million) and HK\$133 million (as at 31 March 2015: HK\$135 million) respectively; and
- (b) pledged bank deposits of HK\$365 million (as at 31 March 2015: HK\$423 million).

## 28. CAPITAL COMMITMENTS

At the end of the Reporting Period, the Group had the following capital commitments:

	As at 30 September 2015 HK\$ million (unaudited)	As at 31 March 2015 HK\$ million (audited)
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	7	13
Factory buildings and office premises under development	946	842
Investment in an associate	4	–
Investment in an available-for-sale investment	38	16
	<b>995</b>	<b>871</b>

## 29. 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 are of the view that these patent disputes will not have a material adverse impact on the condensed consolidated financial statements of the Group.

### 30. RELATED PARTY TRANSACTIONS

#### Trading transactions

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

	Six months ended 30 September	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<b>Joint ventures</b>		
Advertising and promotional expenses paid	18	2
Purchases of raw materials	–	11
Sales of finished goods	25	–
<b>Associates</b>		
Purchases of raw materials	–	25
Sales of finished goods	216	196

#### 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	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Short-term benefits	74	51
Share-based payments	18	14

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.



### 31. ACQUISITIONS OF SUBSIDIARIES

On 10 July 2015, a sales and purchase agreement was entered into between (i) Smart Choice, an indirect non-wholly owned subsidiary of the Company, and (ii) the shareholders of Strong Media, in relation to the acquisition of equity interest in Strong Media by Smart Choice from the shareholders of Strong Media (the "Acquisition").

Pursuant to the sales and purchase agreement, (i) Smart Choice acquired 80% equity interest in Strong Media in phase 1, and (ii) Smart Choice agreed to acquire remaining 20% equity interest in Strong Media in phase 2, upon satisfaction of certain conditions as set out in the agreement.

During the Reporting Period, all the conditions precedent under the sales and purchase agreement for phase 1 have been fulfilled. Strong Media becomes an indirect non-wholly owned subsidiary of the Company thereafter.

The total consideration for phase 1 and phase 2 of the Acquisition is EUR30 million (equivalent to HK\$262 million), which is to be satisfied in cash. 80% of the total consideration (i.e. HK\$209 million) is payable upon completion of phase 1.

Strong Media and its subsidiaries are principally engaged in the business of sale and distribution of reception facilities of digital televisions.

#### Consideration to be transferred

	<i>HK\$ million</i> (unaudited)
Cash consideration:	
Due within one year	93
Due after one year	116
	<hr/> 209

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



### 31. ACQUISITIONS OF SUBSIDIARIES – continued

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

	<i>HK\$ million</i> (unaudited)
<b>Non-current Assets</b>	
Property, plant and equipment	8
Intangible assets	109
<b>Current Assets</b>	
Inventories	127
Trade and other receivables	108
Pledged bank deposits	13
Bank balances and cash	55
<b>Current Liabilities</b>	
Trade and other payables	(170)
Bank borrowings	(100)
Tax liabilities	(3)
<b>Non-current Liabilities</b>	
Bank borrowings	(3)
	<hr/> 144 <hr/>

The trade and other receivables acquired with a fair value of HK\$108 million at the date of acquisition had gross contractual amounts of HK\$108 million.

The initial accounting for the assets and liabilities acquired in the above business combination with fair value of HK\$144 million have been determined on a provisional basis, awaiting the completion of professional valuations. The amounts of goodwill may be adjusted accordingly.

### 31. ACQUISITIONS OF SUBSIDIARIES – *continued*

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

	<i>HK\$ million</i> (unaudited)
Consideration	209
Less: Net assets acquired	(144)
Plus: Non-controlling interests	30
<hr/>	
Goodwill arising on acquisition	95

Net cash inflows arising on acquisition is as follows:

	<i>HK\$ million</i> (unaudited)
Cash consideration paid up to 30 September 2015	–
Less: bank balances and cash acquired	55
<hr/>	
Net cash inflows for the period	55

During the Reporting Period, Strong Media and its subsidiaries did not have material contribution to the revenue and profit of the Group.

### 32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 20 June 2015, the Group acquired 100% registered capital of STLG at a cash consideration of RMB235 million (equivalent to HK\$292 million). STLG is inactive prior to the acquisition and its principal assets held are land and factory in PRC. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.



### 32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY – *continued*

The net assets acquired in the transaction (determined on provisional basis) were as follows:

	<i>HK\$ million</i> (unaudited)
Prepaid lease payments on land use rights	46
Property, plant and equipment	244
Bank balances and cash	3
Other payables	(1)
	<hr/> 292
Satisfied by:	
Cash consideration paid	292
Net cash outflow arising on acquisition:	
Cash consideration paid	(292)
Bank balances and cash acquired	3
	<hr/> 289

### 33. COMPARATIVE FIGURES

Loan receivables of HK\$96 million as contained in the comparative figures in the condensed consolidated statement of financial position have been reclassified from “trade and other receivables, deposits and prepayments” to conform with current period’s presentation.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## 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 43, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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

23 November 2015



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 September 2015 were reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

## INTERIM DIVIDEND

The Board has resolved to pay an interim dividend for the six months ended 30 September 2015 of HK9.6 cents (2014: HK9.5 cents) per Share, totaling approximately HK\$280 million (2014: HK\$270 million) to the Shareholders on or around Wednesday, 3 February 2016 whose names appear on the register of members of the Company at the close of business on Friday, 11 December 2015. Shareholders may elect to receive interim dividend in the form of new Shares or cash or partly in Shares and partly in cash.

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 30 September 2015, the interests of the Directors and of their associates in the Shares, share options, awarded shares or other underlying shares of the Company and its associated corporations (within the meaning of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (a) Shares

As at 30 September 2015, Directors had long positions in the Shares as follows:

Name of director	Capacity	Number of issued Shares held	Approximate percentage of the total number of issued Shares
Lin Wei Ping	Beneficial owner	8,247,003	0.29%
	Held by spouse	(Notes a and b) 1,064,108,930	37.17%
		(Notes a and c) 1,072,355,933	37.46%
Yang Dongwen	Beneficial owner	21,182,062	0.74%
Lu Rongchang	Beneficial owner	2,557,410	0.09%
Shi Chi	Beneficial owner	838,710	0.03%
	Held by spouse	550,588	0.02%
		1,389,298	0.05%
Chan Wai Kay, Katherine	Beneficial owner	2,500,000	0.09%
Li Weibin	Beneficial owner	1,000,000	0.03%

Notes:

- 1,064,108,930 Shares are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units 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 1,064,108,930 Shares.
- Ms. Lin Wei Ping is interested in 1,072,355,933 Shares, which comprise 8,247,003 Shares held by herself, the deemed interests in 1,064,108,930 Shares held by her spouse Mr. Wong Wang Sang, Stephen.
- Mr. Wong Wang Sang, Stephen is interested in 1,072,355,933 Shares, which comprise the deemed interests in 1,064,108,930 Shares held by Target Success and the deemed interests in 8,247,003 Shares held by his spouse Ms. Lin Wei Ping.

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – *continued*

### (b) Share options of the Company

As at 30 September 2015, certain Directors had personal interests in the share options granted under the Company's 2008 Share Option Scheme as follows:

Name of Director	Capacity	Number of share options held/underlying shares of the Company
Yang Dongwen	Beneficial owner	10,000,000
Chan Wai Kay, Katherine	Beneficial owner	7,500,000
Lu Rongchang	Beneficial owner	8,000,000
Shi Chi	Beneficial owner	8,000,000
		33,500,000

### (c) Awarded shares of the Company

As at 30 September 2015, certain Directors had personal interests in the awarded shares granted under the Company's Share Award Scheme as follows:

Name of Director	Capacity	Number of awarded shares held/underlying shares of the Company
Yang Dongwen	Beneficial owner	668,000
Lu Rongchang	Beneficial owner	534,000
		1,202,000

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 2015, 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 Reporting Period.

Save as disclosed above, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 Reporting Period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, 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 substantial shareholders had notified the Company of the relevant interests in the issued Shares of the Company.

Name of shareholder	Capacity	Number of issued Shares held	Approximate percentage of the total number of issued Shares
<b>Long positions</b>			
Target Success Group (PTC) Limited	Trustee ( <i>Note a</i> )	1,064,108,930	37.17%
Wong Wang Sang, Stephen	Held by spouse ( <i>Note b</i> )	8,247,003	0.29%
	Interest of controlled corporation ( <i>Note a</i> )	1,064,108,930	37.17%
		1,072,355,933	37.46%
Lin Wei Ping	Beneficial owner	8,247,003	0.29%
	Held by spouse ( <i>Note c</i> )	1,064,108,930	37.17%
		1,072,355,933	37.46%

*Notes:*

- (a) 1,064,108,930 Shares are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units 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 1,064,108,930 Shares.
- (b) Ms. Lin Wei Ping is interested in 1,072,355,933 Shares, which comprise 8,247,003 Shares held by herself, the deemed interests in 1,064,108,930 Shares held by her spouse Mr. Wong Wang Sang, Stephen.
- (c) Mr. Wong Wang Sang, Stephen is interested in 1,072,355,933 Shares, which comprise the deemed interests in 1,064,108,930 Shares held by Target Success and the deemed interests in 8,247,003 Shares held by his spouse Ms. Lin Wei Ping.

Save as disclosed above, as at 30 September 2015, the Company had not been notified of any other interests or short positions representing 5% or more of the number of Shares in issue as recorded in the register required to be kept by the Company under Section 336 of the SFO.



## SHARE OPTIONS

The following tables show the movements in the Company's share options granted to the Directors and employees and/or consultants under 2008 Share Option Scheme during the Reporting Period:

### Under 2008 Share Option Scheme

Date of grant	Exercise price <i>HK\$</i>	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2015	Granted during the Reporting Period	Exercised during the Reporting Period <i>(Note a)</i>	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<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>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 <i>HK\$</i>	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<b>Directors: – 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

## 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 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<b>Directors: – continued</b>								
<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>Sub-total (Directors)</b>				41,000,000	–	(7,500,000)	–	33,500,000
<b>Employees/Consultants</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	365,000	–	–	–	365,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	526,000	–	–	–	526,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	668,500	–	(2,500)	–	666,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	1,709,000	–	(37,500)	–	1,671,500
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	8,242,000	–	(3,026,000)	–	5,216,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	8,156,000	–	(2,806,000)	–	5,350,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	8,400,000	–	(1,280,000)	–	7,120,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	8,400,000	–	–	–	8,400,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	8,400,000	–	–	–	8,400,000

## SHARE OPTIONS – continued

### Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<b>Employees/Consultants – continued</b>								
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	–	–	–	–	–
		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	–	(100,000)	–	120,000
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	220,000	–	(100,000)	–	120,000
		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 2015	Granted during the Reporting Period	Exercised during the Reporting Period <i>(Note a)</i>	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<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	–	(100,000)	–	160,000
		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	–	(200,000)	–	40,000
		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



## 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 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Outstanding at 30 September 2015
<i>Employees/Consultants – continued</i>								
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
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
<b>Sub-total (Employees/Consultants)</b>				55,070,500	-	(7,652,000)	-	47,418,500
<b>Total</b>				96,070,500	-	(15,152,000)	-	80,918,500

*Note a:*

The weighted average closing prices of the Shares immediately before the date on which the share options were exercised during the Reporting Period was HK\$6.55.

## SHARE AWARD SCHEME

The Share Award Scheme was approved by the Board on 24 June 2014. 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 (including vested and non-vested) which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the Reporting Period, 13,344,000 Shares were purchased by the Company in the market through an independent trustee. As at 30 September 2015, 23,614,785 Shares were held by the independent trustee, for the purpose of the Share Award Scheme.

### First batch: Awarded shares granted on 25 July 2014

On 25 July 2014, a total of 27,836,000 Shares were granted by the Board pursuant to the Share Award Scheme. 8,694,000 awarded shares were vested on 31 August 2015 and the remaining awarded shares will be vested on 31 August 2016 and 2017, respectively.

### Second batch: Awarded shares granted on 20 July 2015

On 20 July 2015, a total of 10,312,000 Shares were granted by the Board pursuant to the Share Award Scheme, which will be vested on 31 December 2015, 2016 and 2017, respectively.

During the Reporting Period, scrip shares amounting to 708,954 Shares had been received in respect of the Shares held upon the trust for the Share Award Scheme and shall form part of the trust fund of such trust. The trustee may, after having taken into consideration the advice of the Company, apply the cash deposited by the Company or Shares for the purchase of Shares in the market, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of the Share Award Scheme, or return such cash or shares to the Company.

As at 30 September 2015, certain Directors had interests in the awarded shares under the Company's Share Award Scheme as follows:

Directors/ Date of grant	Vesting date	Number of share options			
		Outstanding at 1 April 2015	Granted during the Reporting Period	Vested during the Reporting Period	Outstanding at 30 September 2015
<b>Yang Dongwen</b>					
25 July 2014	31 August 2015	332,000	–	(332,000)	–
	31 August 2016	332,000	–	–	332,000
	31 August 2017	336,000	–	–	336,000
<b>Lu Rongchang</b>					
25 July 2014	31 August 2015	166,000	–	(166,000)	–
	31 August 2016	166,000	–	–	166,000
	31 August 2017	168,000	–	–	168,000
20 July 2015	31 December 2015	–	66,000	–	66,000
	31 December 2016	–	66,000	–	66,000
	31 December 2017	–	68,000	–	68,000
Total		1,500,000	200,000	(498,000)	1,202,000

Save as disclosed above, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, share options, awarded shares or other underlying shares or 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, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2015.



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

During the Reporting Period, as disclosed under the section of "Share Award Scheme" above, the Company has purchased 13,344,000 Shares in the market through an independent trustee, for the purpose of the Share Award Scheme. Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, 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 Reporting Period.

## **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 the Shareholders. The Company devotes to the best practice on corporate governance, and to comply to the extent practicable with the CG 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 2014/15.

During the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code.

## **BOARD COMMITTEES**

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group. 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, including 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 2014/15. The full terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link <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 Reporting 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. Li Weibin, Mr. Cheong Ying Chew, Henry and Ms. Chan Wai Kay, Katherine. Except that Ms. Chan Wai Kay, Katherine is an executive Director, the other three members are all independent non-executive Directors.



## **BOARD COMMITTEES** – *continued*

### **Nomination Committee and Remuneration Committee** – *continued*

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. To comply with the code provision in the CG Code on board diversity, the Nomination Committee adopted a board diversity policy (“Policy”) which emphasises that the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience. The Nomination Committee will report annually, in the corporate governance report, on the Board’s composition under diversified perspectives, and monitor the implementation of the Policy. The Nomination Committee will review the Policy periodically to ensure the effectiveness of the Policy and discuss any revisions that may be required, and recommended any such revisions to the Board.

The Remuneration Committee currently comprises four members, including Mr. Li Weibin (Chairperson), Mr. Wei Wei, Mr. Cheong Ying Chew, Henry and Ms. Lin Wei Ping. Except that Ms. Lin Wei Ping is an executive Director, the other three members are all independent non-executive Directors.

During the Reporting 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. The Remuneration Committee held four meetings during the Reporting Period 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, to approve the grant of awarded shares under the Share Award Scheme and to review the a senior management’s employment contract.

### **Audit Committee**

The Audit Committee was established by the Board since its listing of the Shares on the Stock Exchange on 7 April 2000. The Audit Committee comprises three members, Mr. Cheong Ying Chew, Henry (Chairperson), Mr. Li Weibin and Mr. Wei Wei, all of whom are independent non-executive Directors.

During the Reporting Period and up to the date of this report, the Audit Committee held two meetings and performed the following duties:

- (a) to review and comment on the Company’s draft annual and interim financial reports;
- (b) to oversee the Group’s financial reporting system, risk management and internal control systems on an ongoing basis;
- (c) to review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff of accounting and financial reporting functions of the Group;
- (d) to discuss on the Group’s internal audit plan with the Risk Management Department; and
- (e) to meet and communicate with the external auditors for audit works of the Group.

## **CORPORATE SUSTAINABILITY**

The Company is committed to maintain a high standard of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in long term serve to enhance Shareholders’ value.

The Group made significant progress on the core elements of its ongoing efforts to promote corporate sustainability during the Reporting Period. The Company was selected by Hang Seng Indexes as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, with effect from 14 September 2015. The Hang Seng Corporate Sustainability Benchmark Index serves as a benchmark that reflects the Company performs well with regard to corporate social responsibility and with high standard of performance in environmental, social and corporate governance aspects.





## **CORPORATE SUSTAINABILITY** – *continued*

Under the capable leadership, the Board will certainly maintain a high degree of transparency and good corporate governance practices, and the Company will surely retain its competitive edge in the market.

### **Environmental**

Being one of the audio-visual and electronic appliances industry leaders in the market, the Group analyses the impact of its business activities to the environment, and actively integrates the energy conservation principle into planning, design, development, manufacturing and marketing in order to determine the key measures required towards environmental protection.

### **Our People**

The Board believes that employees are the Company's important asset and the primary force in driving its business growth on a sustainable basis. The Company enables the employees to develop their full potential and contribute their diverse range of skills and experiences. Adequate training programmes offered to assist their personal and professional growth during the Reporting Period.

Since incorporation, the Group has been placing emphasis on talent management and staff engagement. As at 30 September 2015, we had approximately 38,000 employees, including our head office management team, sales team, innovation development team and research and development team, back office support team and manufacturing staff. Our staff members are located in the PRC, Hong Kong and overseas, and most of them are located in the PRC.

For more information about the corporate sustainability practices of the Company, please refer to the "Corporate Social Responsibility Report" contained in the Company's annual report 2014/15.

## **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 is 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 organisational 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 risk management and 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 Reporting Period and up to the date of this report, the Head of Risk Management attended 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, 9 December 2015 to Friday, 11 December 2015, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the interim dividend payable on or around Wednesday, 3 February 2016, 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, 8 December 2015.

## **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises Ms. Lin Wei Ping as the 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. Li Weibin, Mr. Wei Wei and Mr. Cheong Ying Chew, Henry as independent non-executive Directors.

On behalf of the Board


**Lin Wei Ping**

*Executive Chairperson*

23 November 2015



# GLOSSARY



“Board”	the board of the Company
“CCFL”	cold cathode fluorescent lamp backlights
“CG Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Company”	Skyworth Digital Holdings Limited
“Coocaa Company”	Shenzhen Coocaa Network Technology Company Limited
“Director(s)”	directors of the Company
“EBIT”	earnings before interest and taxation
“EBITDA”	earnings before interest, taxation, depreciation and amortisation
“EUR”	Europe dollars, the lawful currency of the Eurozone
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Internationale Funkausstellung, an electronics exhibition held in Berlin, Germany
“IRD”	Hong Kong Inland Revenue Department
“LAT”	Land appreciation tax
“LCD”	liquid crystal display
“LED”	light emitting diode backlights
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“METZ”	METZ-Werke GmbH & Co. KG, a company incorporated in Germany

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“ODM”	Original Design Manufacturer
“OEM”	Original Equipment Manufacturer
“PRC” or “China”	People’s Republic of China
“Reporting Period”	six months ended 30 September 2015
“RMB”	Renminbi, the lawful currency of the PRC
“ROE”	return on equity
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Smart Choice”	Smart Choice Store Company Limited, a company incorporated in Hong Kong
“Share Award Scheme”	Share award scheme approved and adopted by the Board on 24 June 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STLG”	意法半導體製造(深圳)有限公司, a company established in the PRC
“Strong Media”	Strong Media Group Limited, a company incorporated in the British Virgin Islands
“Target Success”	Target Success Group (PTC) Limited, a company incorporated in the British Virgin Islands
“TV”	television
“UHD”	ultra-high definition
“US\$”	United States dollars, the lawful currency of the United States
“VAT”	Value-added-tax
“2008 Share Option Scheme”	Share option scheme approved and adopted at the 2008 annual general meeting held on 30 September 2008
“4K Smart TV”	Smart TV with ultra-high definition (4K x 2K) panel
“%”	per cent

