

# 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 2016/17



**Skyworth**  
Health-tech Integration

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# FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		Change
	2016 (unaudited)	2015 (unaudited)	
<b>OPERATING RESULTS</b>			
Revenue	20,291	19,549	+3.8%
EBIT	1,316	1,321	-0.4%
EBITDA	1,657	1,613	+2.7%
Net profit for the period	948	985	-3.8%
Profit attributable to owners of the Company	836	869	-3.8%
<b>FINANCIAL POSITION</b>			
Net cash from operating activities	716	164	+336.6%
Cash position*	5,013	4,528	+10.7%
Bank borrowings	6,947	6,346	+9.5%
Equity attributable to owners of the Company	15,405	13,954	+10.4%
Working capital	10,816	8,403	+28.7%
Bills receivable	5,015	5,015	0.0%
Trade receivables	6,537	6,407	+2.0%
Inventories	6,075	4,623	+31.4%
<b>KEY RATIOS</b>			
Gross profit margin (%)	20.6%	20.6%	0.0pp
EBIT margin (%)	6.5%	6.8%	-0.3pp
EBITDA margin (%)	8.2%	8.3%	-0.1pp
Profit margin (%)	4.7%	5.0%	-0.3pp
ROE (%)	10.9%	12.5%	-1.6pp
Debt to equity (%)**	40.9%	41.1%	-0.2pp
Net debt to equity***	Net Cash	Net Cash	N/A
Current ratio (times)	1.5	1.5	0.0%
Trade receivable turnover period (days)****	109	112	-2.7%
Inventories turnover period (days)****	67	53	+26.4%
<b>DATA PER SHARE (HK CENTS)</b>			
Earnings per share – Basic	28.83	30.66	-6.0%
Earnings per share – Diluted	28.44	30.20	-5.8%
Dividend per share	9.60	9.60	0.0%
Book value per share	567.69	539.50	+5.2%
<b>SHARE INFORMATION AT FINANCIAL PERIOD END</b>			
Skyworth Digital Holdings Limited (Listed in Hong Kong, stock code: 00751)			
Number of issued shares (million)	2,993	2,863	+4.5%
Market capitalisation	16,701	14,945	+11.7%
Skyworth Digital Co., Limited (Listed in Shenzhen, stock code: 000810)			
Number of issued shares (million)	999	999	0.0%
Market capitalisation	20,201	13,288	+52.0%

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

\*\* Bank borrowings/total equity at period end

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

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



# CORPORATE INFORMATION



## BOARD OF DIRECTORS

### Executive Directors

Mr. Lai Weide (*Chairman of the Board*)  
Ms. Lin Wei Ping  
Mr. Yang Dongwen (*Chief Executive Officer*)  
Mr. Shi Chi  
Mr. Liu Tangzhi

### 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

Mr. Lai Weide (*Chairman of the Board*)  
Ms. Lin Wei Ping  
Mr. Yang Dongwen  
Mr. Shi Chi  
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  
Mr. Li Hai Ying

### Nomination Committee

Mr. Wei Wei (*Chairperson*)  
Mr. Li Weibin  
Mr. Cheong Ying Chew, Henry  
Ms. Lin Wei Ping

### 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., Ltd.  
China 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 of the Company are listed on the Stock Exchange  
Stock Code: 00751

## IMPORTANT INFORMATION FOR 2016/17 Results Announcement Date

Interim Results: 22 November 2016 (Tuesday)

### Important Details for Interim Dividend

**Interim Dividend Per Share**  
HK9.6 cents, with scrip option

### Closure Period of the Register of Members

From 7 December 2016 (Wednesday) to  
9 December 2016 (Friday), both days inclusive

### Scrip Price Fixing Period

From 5 December 2016 (Monday) to  
9 December 2016 (Friday), both days inclusive

### Record Date

9 December 2016 (Friday)

### Interim Dividend Payment Date

Around 7 February 2017 (Tuesday)

## COMPANY WEBSITE

<http://www.skyworth.com>



# OPERATIONAL AND FINANCIAL REVIEW

## HIGHLIGHTS OF RESULTS

The Group recorded the following results for the reporting period:

- Revenue amounted to HK\$20,291 million, representing an increase of 3.8% compared to the same period last year.
- Sales of TV products and digital set-top boxes accounted for 68.4% and 14.5% of the Group's total revenue, respectively. In the same period last year, the comparative proportions were 73.3% and 13.0% respectively.
- Gross profit achieved HK\$4,170 million, increased by 3.7%. While, the gross profit margin was 20.6%, which stayed flat from the same period last year.
- Unaudited profit before and after non-controlling interests for the reporting period were HK\$948 million and HK\$836 million respectively, which were decreased by 3.8% and 3.8% respectively, on a year-on-year basis.
- The Board has declared an interim dividend for the reporting period of HK9.6 cents per share of the Company. Shareholders of the Company may elect to receive interim dividend in the form of new shares or cash; or partly in new shares and partly in cash.

## BUSINESS PERFORMANCE REVIEW

### Moderate increase in revenue

Given a satisfactory growth in the overseas market performance, the Group's revenue for the reporting period amounted to HK\$20,291 million, and representing an increase of 3.8% compared to the same period last year.

During the reporting period, the Group exploited the branding and distribution channels advantages from the overseas merger and acquisition. Skyworth also implemented dual-brands strategy and won five awards at the IFA Electronic Show in Berlin for Metz OLED. As the result of those multiple strategies and recognitions, that has laid solid foundation for "Skyworth" and "Metz" in Europe market branding position. Moreover, the digital set-up boxes business shaped a diversified market, sales channel, and customer service platform in overseas. These expansions will gradually advance the development and improvement of the global supply chain and the internal manufacturing and servicing system. Hence, this pushed the overseas revenue of TV and set-top box to high record of achievement in comparison to historical financials.

In mainland China market, even though the slowdown on China economic growth together with sluggish trend in domestic appliance market in the first half of 2016, the Group is aware of contemporary consumer demand for high-end and intelligence products. As Skyworth dedicated in timely adjustments on product structure and persistently improvements on product quality, a "smart-home" experience centre was established to allow personal experience of smart features for our consumer groups. As consequence, the overall China market's revenue had narrowed with declining profitability.





During the reporting period, the Group's sales volume of TV by products and geographical segments are as follows:

	<b>April to September 2016 Unit ('000)</b>	April to September 2015 Unit ('000)	April to September 2016 vs. April to September 2015 <i>Increase/ (Decrease)</i>
<b>TV sales volume</b>			
<b>China Market</b>	<b>4,416</b>	4,452	(1%)
which comprises:			
– <b>Smart TV (4K)</b>	<b>1,858.0</b>	1,095.7	70%
– <b>Smart TV (Non-4K)</b>	<b>1,759.4</b>	1,632.6	8%
– <b>Other Flat Panel TV</b>	<b>798.2</b>	1,723.7	(54%)
<b>Overseas Market</b>	<b>3,803</b>	2,143	77%
which comprises:			
– <b>LED LCD TV</b>	<b>3,803.2</b>	2,139.1	78%
– <b>Other TV</b>	<b>–</b>	3.4	(100%)
<b>Total TV sales volume</b>	<b>8,219</b>	6,595	25%

As the ended of 30 September 2016, the share of Skyworth Smart TV users in China market as below:

- Accumulated activated users: 14,859,384
- Weekly active users: 7,930,070
- Daily active users: 5,976,422

## Revenue analysis by geographical and product segments

### Mainland China Market

During the reporting period, the mainland China market accounted for 69.1% of the Group's total revenue, recorded a decrease of 8.3% from HK\$15,296 million for the same period last year to HK\$14,022 million.

The Group's TV business in mainland China accounted for 66.9% of the total domestic revenue. The sales of digital set-top boxes, and white appliances accounted for 13.2% and 7.2% respectively. Other business units include those involved in financial services, rental collection, property development, lighting products, security systems, air conditioner, other electronic products, attributed the remaining of 12.7%.



### TV products

In the first half of 2016, along with the increasing popularity of internet and the booming numbers of internet users, China's TV market indicated "increasing volume but dropping price" trend. The Group adhered to technological innovation and focused on smart products, while relentlessly pursuing continuous improvements in back-end content services' development. During the reporting period, the Group continued to strengthen its smart brand's capability and position. As a result, the portion of 4K Smart TV products sales volume reached 42.1% when compared with the total TV products sales volume in the mainland China, also represented a year-on-year growth of 69.6%. This had minimised the impacts from decreasing average selling price and the revenue of TV products in the mainland China market recorded HK\$9,376 million, comparing with HK\$11,241 million recorded in the same period of previous year, representing a decrease of 16.6%.

The TV industry has gradually developed along the trend of intelligence integration and the Group introduced "hardware + content + service" model. The Group positioned its indirect non-wholly owned subsidiary, Coccaa Company to develop product. This additional online platform can realise the integrated operation across content, users interface, and backend supports, while providing diversified services including video, gaming, education, travelling, shopping, sports and other service experience. Skyworth committed to develop the VR and AR technical capabilities, we achieved the industry leading position by increasing the customer experiences of realism and fluency through the voice recognition, gesture recognition, eye tracking and other technologies. Hence, the wearer can feel more immersive to the ultimate film and television, gaming experience. In late August 2016, the Group announced the release of world's first OLED organic TV equipped with AR technology in Beijing. During the reporting period, Coccaa TV sales volume accounted for 8.9% share of mainland China TV market, its content income from video, gaming, advertising, education and other services recorded HK\$55 million.

According to the extrapolated TV sales data based on the market survey across 1,505 cities with 6,700 retail terminals in the mainland China conducted by Beijing All View Cloud Data Technology 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 2016 are as follows:

	Ranking	Market share
All TV		
– Volume	1	17.7%
– Revenue	1	17.3%
4K UHD TV		
– Volume	1	20.9%
– Revenue	1	18.6%





#### *Digital set-top boxes*

The revenue of digital set-top boxes in the mainland China market recorded HK\$1,851 million, representing an increase of 7.9% or HK\$135 million, compared with HK\$1,716 million recorded in the same period of previous year.

During the reporting period, the continuous increasing number of OTT users and multiple sources of revenue from video, content, application and advertisement, along with the cable operator's implementation of "all-optical network", all factors contributed to promote video business becoming the core development of cable operators. The implications drove the increasing end market bidding and boosted the demand of value-added services, which laid down the foundation for set-top box business performance growth in future. In July 2016, the Group won the first bidder of China Telecom 2016 IPTV smart set-top box procurement project shared 23.0% of proportion, which reinforced the Group's position within the industry. Meanwhile, the Group was actively participated in China Unicom and China Mobile in the second half of the smart set-top boxes and smart network access equipment's tendering project in order to further enrich the Group's market share within the industry. Despite the abovementioned contribution, the Group will continue exploring the opportunities to diversify its business portfolio, including the collaboration development project on "Healthcare + TV video" applications partnership with broadcasting operators. In 2016, the Group began to devote resources into large scale investment and spread hospital coverage in different regions, while Skyworth co-developed "miniStation" game machine with Tencent. Skyworth now expanded its existing portfolio by entering the living room entertainment market, and exploring automotive intelligence and mobile internet operation, as well as the home appliances O2O butler services market.

#### *White Appliances*

The revenue of white appliances in the mainland China market recorded HK\$1,005 million, representing an increase of 2.2% or HK\$22 million, compared with HK\$983 million recorded in the same period of previous year.

During the reporting period, the Group seized the upgrading trend in electronic market that consumers demanded more in automation, high-end segment, and intelligence products. Through the diversified composition and continuous high-end product innovation, Skyworth was able to introduce various innovative products in two series of six new products such as i-DD frequency conversion drum and i-DD variable frequency pulsator. Simultaneously, Skyworth committed to design products in responses to customers' needs to enhance the end users' consumer experience. The Group continued to improve the product appearance, functions and washing process customisation, so the revenue of white appliances can accomplish a steady growth. In future, Skyworth white appliances will continue to develop the innovative technologies including functions of energy-saving, noiseless, intelligent, and auto-cleaning technology products.





### **Overseas Market**

For the reporting period, revenue in overseas markets accounted for HK\$6,269 million, equivalent to 30.9% of overall revenue, representing an increase of 47.4% when compared with the same period of last year amounted to HK\$4,253 million.

#### *TV products*

During the reporting period, the revenue of overseas TV products was HK\$4,511 million or 72.0% of the total overseas revenue for the reporting period. In comparison, HK\$3,081 million was recorded in the same period of previous year, representing an increase of 46.4%.

Since last year's acquisition of Germany METZ, the Group has adopted a dual-brand strategy of "Skyworth + Metz" in Europe, which has accelerated the pace of expansion. During the last year, the Group has successfully entered 11 markets in the European countries including France, Belgium, Italy and so forth. During the reporting period, the business volume increased rapidly. We believed that through the extensive market expansions and the further promotion of OLED high-end products, the Group's business in Europe will maintain the momentum of rapid growth. Skyworth also participated in the IFA Electronics Show in Berlin and exhibited a variety of self-developed intelligent products with modernised technology, and set up a "Smart Home" Experience Center. These enhanced users to fully experience the various functions of Skyworth products, and further strengthen the Group's presence in Europe Markets' brand image.

At the IFA Electronics Show in Berlin, METZ won five awards from its OLED products attributed to the Plus X Award (European Design Awards) covering the honor of Innovation, Quality, Design, User Friendliness and Functionality. Such awards were selected through a serious of panel review from over 1,000 products, 32 countries, and 144 expert panel judges. Each year a total of six awards were granted, this year METZ's OLED product won five out of six, which further recognised the Group's products branding position in Europe regions.

Furthermore, ever since the Group acquired Toshiba's TV business in Indonesia and its brand licensing, which will speed up the overall Skyworth strategic blueprint and enhance distribution channels penetration efficiency in the Southeast Asian market. This is achieved by leveraging from Toshiba's comprehensive supply chain system and sales channels, altogether with a leading market share and renowned brand reputation in the Southeast Asian market.

Over the years, the Group expand market exposure through the model of OEM, ODM and set up overseas branches to promote our own brand, which have gained increasing popularity and visibility in the overseas markets. During the reporting period, the proportion of our own branded sales increased by 43.7%.





#### *Digital set-top boxes*

During the reporting period, the revenue of digital set-top boxes in the overseas market recorded HK\$1,083 million, comparing with HK\$819 million recorded in the same period of previous year, representing an increase of 32.2%.

During the reporting period, digital set-top boxes in the overseas market adopted a global strategic blueprint approach. In the first half, we have presented international and localisation team in South Africa, India, and Thailand. Since then, the Group will progressively establish and improve the global supply chain, production and service system in order to accomplish localised and internationalised resource allocation. In the first half, the volume of order delivery grow substantially in India, South Africa, and other regions, coupled with all digital TV broadcasting will be converted to MPEG4 and HD format in France, consequentially resulted with considerable demand growth. For the second half in 2016, the overall conversion of DVB-T to T2 HEVC in Germany will kick-off, which we expect to see a positive impact on sales in the overseas market.

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

During the reporting period, the Group's overseas markets concentrated in Asia, America and Europe, with aggregation up to 82.0% in the overseas revenue. Within this proportion, the revenue from Europe market rose by 8 percentage points due to the Group committed to Europe markets expansion. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2016 (%)	2015 (%)
Asia	44	40
America	24	30
Europe	14	6
Africa	9	20
Middle East	9	4
	<b>100</b>	100

#### **Gross profit margin**

During the reporting period, the overall gross profit margin of the Group was 20.6%, which stayed flat in comparison to the same period last year.

Despite the average selling price of TV products in the Chinese mainland market continued to decline while LCD TV panel cost increased, the gross margin remained steady growth due to continuous optimisation of product structure. For instance, the optimisations include high-end products such as large-screen TV, and the increasing proportion of 4K Smart TV sales volume. Apart from this, the Group launched a series of stringent cost-effective controls to improve and accelerate the upgrading of product technology and product quality. The control system will strengthen the promotion of new products and speed up the switching of high-end products. In the meantime, the Group will actively promote high gross margins and large-size smart products to drive the gross profit margin to maintain at a stable level.



## Expenses

The Group's selling & distribution expenses for the reporting period increased by HK\$143 million or 6.4% to HK\$2,379 million when compared with that for the same period last year. The selling & distribution expenses to revenue ratio increased by 0.3 percentage points from 11.4% to 11.7%.

The Group's general & administrative expenses for the reporting period rose by HK\$350 million or 33.7% to HK\$1,390 million when compared with that for the same period last year. The general & administrative expenses to revenue ratio increased by 1.6 percentage points from 5.3% to 6.9%. Since the Group had devoted enormous resources in research & development expenses during the reporting period in proposition of developing high quality smart products, wherein the research & development expenses increased by HK\$189 million or 36.2% to HK\$711 million.

## 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\$10,816 million, increased by HK\$141 million or 1.3%, when compared with that as at 31 March 2016. As at the end of the reporting period, bank balances and cash amounted to HK\$4,418 million, representing a decrease of HK\$605 million when compared with that as at 31 March 2016; also an increase of HK\$255 million when compared with that as at 30 September 2015. Pledged bank deposits amounted to HK\$595 million increased by HK\$102 million when compared with that as at 31 March 2016.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK\$595 million pledged bank deposits (as at 31 March 2016: HK\$493 million), finance lease receivables of HK\$156 million (as at 31 March 2016: HK\$158 million), trade receivables of HK\$14 million (as at 31 March 2016: HK\$88 million), 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\$437 million (as at 31 March 2016: HK\$286 million) as at the end of the reporting period.

At the end of the reporting period, total bank loans amounted to HK\$6,947 million. Equity attributable to owners of the Company amounted to HK\$15,405 million (as at 31 March 2016: HK\$15,092 million). The debt to equity ratio revealed as 40.9% (as at 31 March 2016: 48.5%).

## 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 HK\$, US\$ and EUR. 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 an increase in net foreign exchange gains to HK\$110 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's actively reduce loans and payables which are denominated in US\$, so as to minimise losses triggered by its currency fluctuation.





## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

During the reporting period, in order to cope with the expanding production scale and improving production capacity of smart products, an addition of HK\$672 million in construction projects were underway. This includes expansion of production plant and improvement of facilities in production plants. The Group planned to further invest HK\$776 million on property, plant and equipment, factory buildings and office premises under development, in order to cater for future business needs in development of intelligent, diversified and internationalised products.

One of the Group's indirect wholly-owned subsidiary, RGB, completed the acquisition of 100% share capital in PT. Toshiba Consumer Products Indonesia (now known as PT. Skyworth Industry Indonesia) within the reporting period. Upon completion of the acquisition, the Group will accelerate its strategic positioning in the Southeast Asia markets. This will further strengthen the supply chain capabilities in the Southeast Asia markets and develop the brands synergies. As the result, the acquisition could provide the Group with a more comprehensive revenue source portfolio, at the same time disperse the business risks.

## **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 2016, the Group had over 39,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 40 branches and 216 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 allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical commentaries on latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group is continuous strengthening the infrastructure of human resources, providing guidance to the position title, salary norms, and gradually establishes a long-term centralised selection, training and development mechanism and a specified department to enhance the professionalism and leadership skill of senior personnel staff.

The Group's remuneration policy is based on individual performance, functions and conditions of human resources market.



## OUTLOOK

In the second half of 2016, there are still numerous challenges ahead within the TV industry's macro-environment. The Group aimed to accomplish its strategic objectives from the two key business strategies, "operational tactic" and "capitalised tactic". The Group has two realisation paths: (i) expand the dominant industry from China to the rest of international markets and commit to develop its own branded products through internationalise expansion; (ii) while the Group expanding its dominant industry, Skyworth target to achieve product diversification with main focus in "Smart Home" and "Smart Appliance" and vigorously dedicate in research & development and market promotion of OLED TV. The Group will proactively embrace the opportunity of industrial and consumption upgrade by means of technological innovation and model innovation. In the next three years, the Group will develop more intelligent products or industries. The Group's business developments will continuously emphasis on "internationalisation" and "diversification" strategies. Skyworth's wide range of smart appliances and integrated solutions will fulfill the personalised and diversified intellectual life experience in each family member.

Contrariwisely, the Group has also explored alternative development path to upgrade the living room entertainment experience through "high-quality hardware + rich content", and design of the younger eco-living room. Through providing value-added content to the hardware sales toward meeting the consumer demand, we consider 'how' to improve our service orientation in conjunction with the offering of smart screen and smart home. Therefore, the Group entered into an investment agreement with Beijing IQiYi Technology Co., Ltd. ("IQiYi") on 13 September 2016. Upon the completion of this investment agreement, IQiYi will own 5% equity interests in CooCCA Company with a total investment amount of RMB150 million. This signaled the Group's Internet TV will be integrated through the Galaxy Internet TV broadcast control platform, and preset VIP membership services and related content. This bundle of terminals and VIP content of the new sales model will significantly enhance the Internet TV terminal user experience, in return allow our consumers can enjoy wider selection range of quality content.

In the international development, the Group will leverage from high-end branded campaign in Europe and America, and then penetrate through the agency model to enter into the emerging countries speedily. In future, with the TV business as the basis to further integrate the Group's sales channels and support its competitive advantages, in combination to open up the white appliances industry channels in terms of "internationalisation" and "diversification".



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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

	NOTES	Six months ended 30 September	
		2016 (unaudited)	2015 (unaudited)
Revenue	3	20,291	19,549
Cost of sales		(16,121)	(15,526)
Gross profit		4,170	4,023
Other income		737	606
Other gains and losses	5	180	(34)
Selling and distribution expenses		(2,379)	(2,236)
General and administrative expenses		(1,390)	(1,040)
Finance costs	6	(174)	(85)
Share of results of associates		–	(2)
Share of results of joint ventures		(2)	4
Profit before taxation		1,142	1,236
Income tax expense	7	(194)	(251)
Profit for the period	8	948	985
<b>Other comprehensive (expense) income</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(581)	(429)
Fair value loss on available-for-sale financial assets		(2)	(7)
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		(1)	(3)
Reclassification adjustment upon impairment of available-for-sale financial assets		–	10
Other comprehensive expense for the period		(584)	(429)
Total comprehensive income for the period		364	556
Profit for the period attributable to:			
Owners of the Company		836	869
Non-controlling interests		112	116
		948	985
Total comprehensive income for the period attributable to:			
Owners of the Company		364	482
Non-controlling interests		–	74
		364	556
<b>Earnings per share (expressed in Hong Kong cents)</b>			
Basic	9	28.83	30.66
Diluted	9	28.44	30.20

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2016 (unaudited)	As at 31 March 2016 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	6,210	5,818
Deposits for purchase of property, plant and equipment		172	213
Investment properties		5	5
Prepaid lease payments on land use rights		836	718
Goodwill		506	506
Intangible assets		113	113
Interests in associates		11	11
Interests in joint ventures		44	49
Held-to-maturity investments	12	–	702
Available-for-sale investments	13	1,266	1,254
Loan receivables	14	244	245
Finance lease receivables	15	143	146
Deferred tax assets		337	304
		<b>9,887</b>	10,084
<b>Current Assets</b>			
Inventories		6,075	5,494
Stock of properties		1,051	763
Prepaid lease payments on land use rights		30	19
Held-to-maturity investments	12	2,959	2,864
Available-for-sale investments	13	931	1,042
Held-for-trading investments		144	15
Trade and other receivables, deposits and prepayments	16	8,029	7,447
Bills receivable	17	5,015	7,245
Loan receivables	14	2,657	1,089
Finance lease receivables	15	162	482
Prepaid tax		14	–
Pledged bank deposits		595	493
Bank balances and cash	18	4,418	5,023
		<b>32,080</b>	31,976
<b>Current Liabilities</b>			
Trade and other payables	19	11,162	10,419
Bills payable	20	5,194	5,195
Derivative financial instruments	21	4	–
Provision for warranty		164	143
Amounts due to associates		42	35
Tax liabilities		262	312
Bank borrowings	22	4,229	4,950
Deferred income		207	247
		<b>21,264</b>	21,301
<b>Net Current Assets</b>		<b>10,816</b>	10,675
<b>Total Assets less Current Liabilities</b>		<b>20,703</b>	20,759



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

AS AT 30 SEPTEMBER 2016

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2016 (unaudited)	As at 31 March 2016 (audited)
<b>Non-current Liabilities</b>			
Other payable	19	60	54
Provision for warranty		79	90
Bank borrowings	22	2,718	3,155
Deferred income		739	626
Deferred tax liabilities		116	134
		<b>3,712</b>	4,059
<b>NET ASSETS</b>			
		<b>16,991</b>	16,700
<b>Capital and Reserves</b>			
Share capital	23	300	295
Share premium		3,304	2,995
Share option reserve		250	221
Share award reserve		45	55
Shares held for share award scheme		(166)	(206)
Investment revaluation reserve		(3)	–
Surplus account		38	38
Capital reserve		1,238	1,238
Exchange reserve		20	489
Accumulated profits		10,379	9,967
		<b>15,405</b>	15,092
Equity attributable to owners of the Company		<b>15,405</b>	15,092
Non-controlling interests		1,586	1,608
		<b>16,991</b>	16,700



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016  
Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company												
	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	Non-controlling interests	Total
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-sale	-	-	-	-	-	(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 24)	-	-	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	-	-	-	-	-	-	-	-	-	-	-	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
Balance as at 1 April 2016 (audited)	295	2,995	221	55	(206)	-	38	1,238	489	9,967	15,092	1,608	16,700
Profit for the period	-	-	-	-	-	-	-	-	-	836	836	112	948
Exchange differences arising on translation	-	-	-	-	-	-	-	-	(469)	-	(469)	(112)	(581)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Cumulative gain reclassified to profit or loss upon disposal of investments classified as available-for-sale	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Total comprehensive (expense) income for the period	-	-	-	-	-	(3)	-	-	(469)	836	364	-	364



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – *continued*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016  
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			
Recognition of equity-settled share-based payments ( <i>note 24</i> )	-	-	50	24	-	-	-	-	-	-	74	-	74	
Dividend recognised as distribution ( <i>note 10</i> )	4	247	-	-	-	-	-	-	-	(417)	(166)	-	(166)	
Issue of shares under the share option scheme of the Company	1	62	(21)	-	-	-	-	-	-	-	42	-	42	
Shares vested under the share award retained scheme of the Company	-	-	-	(30)	40	-	-	-	-	(10)	-	-	-	
Lapse of vested share awards	-	-	-	(4)	-	-	-	-	-	4	-	-	-	
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	2	2	64	66	
Non-controlling interests arising on disposal of partial interests in subsidiaries but does not result in losing control of subsidiaries ( <i>note a</i> )	-	-	-	-	-	-	-	-	-	(3)	(3)	24	21	
Acquisition of additional interests in subsidiaries ( <i>note b</i> )	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(108)	(108)	
Balance as at 30 September 2016 (unaudited)	300	3,304	250	45	(166)	(3)	38	1,238	20	10,379	15,405	1,586	16,991	

## Notes:

- (a) During the six months ended 30 September 2016, the Company disposed of partial interests in certain subsidiaries. This mainly includes a disposal of 13.5% interest of 深圳市酷開網路科技有限公司 for a consideration of HK\$16 million. The difference between the consideration of HK\$16 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK\$14 million, amounting to HK\$2 million, is credited to accumulated profits.
- (b) During the six months ended 30 September 2016, the Company acquired 20% interest in 南京天賜雲端科技有限公司 from a non-controlling shareholder for a consideration of HK\$2 million, which approximates the carrying amount of the net assets attributable to the additional interest acquired from the non-controlling shareholder.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016  
Amounts expressed in millions of Hong Kong dollars

	Six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>716</b>	<b>164</b>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		
Dividend received	23	–
Interest received	202	171
Purchase of property, plant and equipment	(672)	(612)
Proceeds on disposal of property, plant and equipment	60	229
Additions to prepaid lease payments on land use right	–	(26)
The PRC income tax paid related to Shenzhen Gongming Town Cooperation	–	(354)
Investment in an associate	–	(1)
Investments in available-for-sale investments	(499)	(476)
Proceeds on disposal of available-for-sale investments	545	280
Investments in held-to-maturity investments	(335)	(2,072)
Proceeds on disposal of held-to-maturity investments	889	124
Advances to staffs	(125)	(64)
Repayments from staffs	113	56
Government grant received related to assets	65	93
Placement of pledged bank deposits	(564)	(21)
Withdrawal of pledged bank deposits	442	92
Placement of restricted bank deposits	(431)	(25)
Withdrawal of restricted bank deposits	402	86
Net cash inflows (outflows) on acquisition of subsidiaries	65	(234)
	<b>180</b>	<b>(2,754)</b>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
Interest paid	(177)	(85)
Dividend paid	(274)	(76)
Contributions from non-controlling interests	66	–
Acquisition of additional interests in subsidiaries	(2)	–
Proceeds from partial disposal of subsidiaries	21	–
Issue of share through exercise of share options	42	66
Purchase of shares for unvested shares under share award scheme	–	(69)
New bank borrowings raised	4,072	8,120
Repayment of bank borrowings	(5,087)	(4,371)
	<b>(1,339)</b>	<b>3,585</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – continued

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016  
Amounts expressed in millions of Hong Kong dollars

	NOTE	Six months ended 30 September	
		2016 (unaudited)	2015 (unaudited)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(443)</b>	995
<b>CASH AND CASH EQUIVALENTS AS AT 1 APRIL</b>		<b>4,621</b>	3,217
Effect of foreign exchange rate changes		<b>(174)</b>	(85)
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>		<b>4,004</b>	4,127
<i>Bank balances and cash represented:</i>			
Cash and cash equivalents		<b>4,004</b>	4,127
Restricted bank deposits		<b>414</b>	36
	18	<b>4,418</b>	4,163

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

## 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 2016.

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 2016.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2016.

### Application of new amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following 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 Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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	
	2016 <i>HK\$ million</i> (unaudited)	2015 <i>HK\$ million</i> (unaudited)
Manufacture and sales of TV products	13,887	14,322
Manufacture and sales of digital set-top boxes	2,580	2,181
Processing income and sales of LCD modules	354	354
Manufacture and sales of white appliances	1,075	1,132
Property rental income	143	132
Sales of properties	260	204
Others	1,992	1,224
	<b>20,291</b>	19,549

### 4. SEGMENT INFORMATION

The segment information of "LCD modules" as disclosed in the comparative figures have been combined with "Digital set-top boxes" to conform with current period's presentations, for the purpose of reporting to the chief operating decision maker after the acquisition of LCD modules business by Skyworth Digital Co., Ltd. during the year ended 31 March 2016.

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

#### For the six months ended 30 September 2016 (unaudited)

	TV products (PRC market) <i>HK\$ million</i>	TV products (Overseas market) <i>HK\$ million</i>	Digital set-top boxes <i>HK\$ million</i>	White appliances <i>HK\$ million</i>	Property holding <i>HK\$ million</i>	Others <i>HK\$ million</i>	Eliminations <i>HK\$ million</i>	Total <i>HK\$ million</i>
<b>Revenue</b>								
Segment revenue from external customers	9,376	4,511	2,934	1,075	143	2,252	-	20,291
Inter-segment revenue	303	58	5	-	17	709	(1,092)	-
Total segment revenue	9,679	4,569	2,939	1,075	160	2,961	(1,092)	20,291
<b>Results</b>								
Segment results	529	175	264	15	104	73	-	1,160
Interest income								236
Unallocated corporate expenses less income								(177)
Gain on bargain purchase								99
Finance costs								(174)
Share of results of joint ventures								(2)
Consolidated profit before taxation of the Group								1,142

#### 4. SEGMENT INFORMATION – continued

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	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	2,535	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>2,926</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	254	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>

Segment results represent the profit earned by (loss from) each segment without allocation of interest income, corporate expenses less income, gain on bargain purchase, 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

	<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Exchange gain, net	<b>110</b>	19
Gain on disposal of available-for-sale investments	<b>1</b>	3
Gain on bargain purchase (note 30)	<b>99</b>	–
Impairment loss recognised in respect of available-for-sale investments (note 13)	<b>–</b>	(10)
Impairment loss recognised in respect of trade receivables	<b>(20)</b>	(9)
Impairment loss recognised in respect of loan receivables	<b>(3)</b>	–
Impairment loss recognised in respect of amount due from and loan to a joint venture	<b>–</b>	(31)
Loss from changes in fair value of derivative financial instruments	<b>(4)</b>	(2)
Loss on disposal of property, plant and equipment	<b>(3)</b>	(4)
	<b>180</b>	(34)





## 6. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Interest on bank borrowings	174	85

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016	2015
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
The charge (credit) comprises:		
PRC income tax		
Current period	283	257
Overprovision in prior periods	-	(6)
	283	251
Hong Kong Profits Tax		
Current period	2	-
Overprovision in prior periods	(3)	-
	(1)	-
Land appreciation tax	5	5
Taxation arising in other jurisdictions		
Current period	10	2
Deferred taxation	297	258
	(103)	(7)
	194	251

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

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for both periods. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

Land appreciation tax 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.





## 8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2016 HK\$ million (unaudited)	2015 HK\$ million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	15,899	15,336
Cost of stock of properties recognised as an expense	184	137
Depreciation of property, plant and equipment	333	284
Dividend income from unlisted investments	23	–
Government grants		
– related to assets	(65)	(93)
– related to expense items	(55)	(58)
	(120)	(151)
Imputed interest income from trade receivables	–	(4)
Interest income	(236)	(153)
	(236)	(157)
Release of prepaid lease payments on land use rights	8	8
Rental income from leasing of properties less related outgoings of HK\$38 million (for the six months ended 30 September 2015: HK\$35 million)	(105)	(97)
Staff costs, including directors' emoluments	2,087	1,900
Value-added-tax refund	(275)	(190)



## 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	
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(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>836</b>	869
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,900,036,769</b>	2,834,459,507
Effect of dilutive potential ordinary shares in respect of share options outstanding	<b>21,154,186</b>	21,974,073
Effect of dilutive potential ordinary shares in respect of share awards outstanding	<b>18,664,574</b>	20,827,046
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,939,855,529</b>	2,877,260,626

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

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for both periods ended 30 September 2016 and 2015.

## 10. DIVIDENDS

	Six months ended 30 September	
	2016	2015
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2016 Final dividend – HK14.4 cents (for the six months ended 30 September 2015:		
2015 Final dividend – HK11.0 cents) per share	423	315
Less: Dividends for shares held by share award scheme (note 24(ii))	(6)	(3)
	<b>417</b>	312

The final dividend for the year ended 31 March 2016 of HK14.4 cents per share, amounting to HK\$417 million in total, was recognised as distribution on the condensed consolidated statement of financial position upon approval by the shareholders in the Company's annual general meeting held on 28 July 2016. Of such final dividend, an aggregate amount of HK\$251 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The board of directors has resolved that an interim dividend of HK9.6 cents per share for the six months ended 30 September 2016, amounting to approximately HK\$287 million in total, be paid to the shareholders of the Company whose names appear in the register of members on 9 December 2016 with an option to elect scrip dividend wholly or partly in lieu of cash dividend.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group had incurred approximately HK\$532 million (for the six months ended 30 September 2015: approximately HK\$288 million) in construction in progress, mainly for the development of factory buildings and office premises situated on land in the PRC, and spent approximately HK\$234 million (for the six months ended 30 September 2015: approximately HK\$307 million) on the acquisition of other property, plant and equipment for business operations and expansion.

In addition, during the six months ended 30 September 2016, property, plant and equipment of HK\$159 million were acquired as part of a business combination, details of which are set out in note 30.

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

During the six months ended 30 September 2016, the Group invested HK\$335 million (for the six months ended 30 September 2015: HK\$2,072 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.





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

During the six months ended 30 September 2016, the Group invested nil (for the six months ended 30 September 2015: HK\$80 million), HK\$460 million (for the six months ended 30 September 2015: HK\$396 million) and HK\$39 million (for the six months ended 30 September 2015: nil) in certain unlisted equity securities in the PRC, other financial instruments and one listed equity security in Hong Kong, 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 there is no impairment loss of any of its available-for-sale investments (for the six months ended 30 September 2015: impairment loss of HK\$10 million).

During the period ended 30 September 2016, a decrease in investment valuation reserve of HK\$3 million (for the six months ended 30 September 2015: nil) is recognised as a result of changes in fair value of available-for-sale investments.

### 14. LOAN RECEIVABLES

As at 30 September 2016, the Group granted loans of an aggregate principal amount of RMB2,495 million (equivalent to HK\$2,901 million) (as at 31 March 2016: RMB1,113 million (equivalent to HK\$1,334 million)) to external borrowers. The loan receivables are unsecured, interest bearing at fixed rate ranging from 4.0% to 13.0% per annum (as at 31 March 2016: 5.0% to 13.0% per annum).

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	<b>As at 30 September 2016 HK\$ million (unaudited)</b>	<b>As at 31 March 2016 HK\$ million (audited)</b>
Fixed-rate loan receivables:		
Within one year	<b>2,657</b>	1,089
In more than one year but not more than two years	<b>240</b>	240
In more than two years but not more than five years	<b>4</b>	5
	<b>2,901</b>	1,334



## 15. FINANCE LEASE RECEIVABLES

As at 30 September 2016, the Group entered finance lease contracts with principal amount of RMB575 million (equivalent to approximately HK\$669 million) (as at 31 March 2016: RMB735 million (equivalent to approximately HK\$881 million)). All interest rate inherent in the lease are fixed at the contract date over the lease terms.

	<b>As at 30 September 2016 HK\$ million (unaudited)</b>	<b>As at 31 March 2016 HK\$ million (audited)</b>
Analysed as:		
Current	<b>162</b>	482
Non-current	<b>143</b>	146
	<b>305</b>	628

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>As at 30 September 2016 HK\$ million (unaudited)</b>	<b>As at 31 March 2016 HK\$ million (audited)</b>	<b>As at 30 September 2016 HK\$ million (unaudited)</b>	<b>As at 31 March 2016 HK\$ million (audited)</b>
Finance lease receivables comprise:				
Within one year	<b>168</b>	505	<b>162</b>	482
In more than one year but not more than two years	<b>160</b>	171	<b>143</b>	146
	<b>328</b>	676	<b>305</b>	628
Less: Unearned finance income	<b>(23)</b>	(48)	<b>N/A</b>	N/A
Present value of minimum lease payment receivables	<b>305</b>	628	<b>305</b>	628

Effective interest rate of the above finance lease is 9.76% (as at 31 March 2016: 10.33%) 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. 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.

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, which approximated the revenue recognition date, and other receivables, deposits and prepayments:

	As at 30 September 2016 <i>HK\$ million</i> (unaudited)	As at 31 March 2016 <i>HK\$ million</i> (audited)
Within 30 days	3,196	2,160
31 to 60 days	1,129	698
61 to 90 days	538	554
91 to 365 days	1,245	1,503
366 days or over	429	375
Trade receivables	6,537	5,290
Purchase deposits paid for materials	171	183
Value-added-tax receivables	490	641
Prepayment on acquisition of land for property development	–	459
Other deposits paid, prepayments and other receivables	831	874
	<b>8,029</b>	7,447



## 17. BILLS RECEIVABLE

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

	<b>As at 30 September 2016 HK\$ million (unaudited)</b>	<b>As at 31 March 2016 HK\$ million (audited)</b>
Within 30 days	921	1,147
31 to 60 days	551	1,074
61 to 90 days	1,002	1,713
91 days or over	2,078	3,011
Bills discounted to banks with recourse	463	300
	<b>5,015</b>	7,245

The carrying values of 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 borrowings as disclosed in note 22, are not derecognised in the condensed consolidated financial statements as well.

The maturity dates of bills discounted with recourse are less than six months from the end of the reporting period.

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

## 18. BANK BALANCES AND CASH

Included in bank balances and cash as at 30 September 2016 are restricted bank deposits of HK\$414 million (as at 31 March 2016: HK\$402 million), which are reserve deposits a finance company of the Group placed with the People's Bank of China. The balances of the reserve deposits were calculated at certain percentage of qualified deposits made from customers to the finance company of the Group as determined by the People's Bank of China against unexpected events such as unusually large net withdrawal by customers. These reserve are required by local regulation and not available for the Group's daily operations.



## 19. TRADE AND OTHER PAYABLES

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

	As at 30 September 2016 <i>HK\$ million</i> (unaudited)	As at 31 March 2016 <i>HK\$ million</i> (audited)
Within 30 days	3,735	2,671
31 to 60 days	1,088	1,015
61 to 90 days	528	829
91 days or over	218	512
Trade payables	5,569	5,027
Accruals and other payables	1,355	1,030
Accrued staff costs	678	974
Accrued selling and distribution expenses	145	91
Deposits received for sales of goods	1,090	1,321
Deposits received for sales of properties	240	132
Membership fee received	221	220
Other deposits received	822	731
Payables for acquisition of subsidiaries	200	123
Payables for purchase of property, plant and equipment	102	49
Sales rebate payable	728	731
Value-added-tax payable	72	44
	<b>11,222</b>	10,473
Less: Amount due after one year under non-current liabilities	<b>(60)</b>	(54)
Amounts shown under current liabilities	<b>11,162</b>	10,419



## 20. BILLS PAYABLE

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

	As at 30 September 2016 HK\$ million (unaudited)	As at 31 March 2016 HK\$ million (audited)
Within 30 days	1,022	877
31 to 60 days	876	1,036
61 to 90 days	1,315	895
91 days or over	1,981	2,387
	<b>5,194</b>	5,195

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

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2016 HK\$ million (unaudited)	As at 31 March 2016 HK\$ million (audited)
Derivative financial instruments are analysed as:		
Interest rate swap contract ( <i>Note (a)</i> )	(4)	–

	Six months ended 30 September 2016 HK\$ million (unaudited)	2015 HK\$ million (unaudited)
Loss from changes in fair value of derivative financial instruments:		
Interest rate swap contracts ( <i>Note (a)</i> )	(4)	–
Foreign currency forward contracts ( <i>Note (b)</i> )	–	(2)
	<b>(4)</b>	(2)





## 21. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

### Note (a): Interest rate swap contract

During the period ended 30 September 2016, the Group entered into an interest rate swap contract with a bank, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates and foreign currency exposure in relation to its bank borrowings denominated in EUR.

The interest rate swap with notional amount of EUR80 million has interest payments in EUR at 2.35% per annum and floating interest receipts in EUR at 2.5% plus 1-month EURIBOR per annum for periods up to December 2018.

As at 30 September 2016, the fair value of Group's interest rate swap contract was estimated to be a liability of HK\$4 million (as at 31 March 2016: nil). The amount was determined based on market rates quoted by the counterparty financial institutions at the end of the reporting period. During the six months ended 30 September 2016, a loss arising from changes in fair value of the interest rate swap contract of HK\$4 million has been recognised in profit or loss (for the six months ended 30 September 2015: nil).

### Note (b): Foreign currency forward contracts

In prior period, the Group had entered into arrangement with an established commercial bank in Hong Kong to purchase RMB in US\$ at predetermined forward rates.

During the six months ended 30 September 2015, 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 upon maturity of the foreign currency forward contracts.

## 22. BANK BORROWINGS

	As at 30 September 2016 <i>HK\$ million</i> (unaudited)	As at 31 March 2016 <i>HK\$ million</i> (audited)
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	463	300
Other bank borrowings	6,484	7,805
	<b>6,947</b>	8,105
Secured	2,009	1,445
Unsecured	4,938	6,660
	<b>6,947</b>	8,105



## 22. BANK BORROWINGS – continued

	As at 30 September 2016 <i>HK\$ million</i> (unaudited)	As at 31 March 2016 <i>HK\$ million</i> (audited)
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	130	2
More than one year but not more than two years	79	2
More than two years but not more than five years	–	79
	<b>209</b>	83
Carrying amount of other bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	4,020	4,867
More than one year but not more than two years	1,927	613
More than two years but not more than five years	487	2,461
Over five years	304	81
	<b>6,738</b>	8,022
	<b>6,947</b>	8,105
Less: Amounts due within one year shown under current liabilities	<b>(4,229)</b>	(4,950)
Amounts shown under non-current liabilities	<b>2,718</b>	3,155



## 23. SHARE CAPITAL

	Number of shares		Share capital	
	1 April 2016 to 30 September 2016	1 April 2015 to 31 March 2016	1 April 2016 to 30 September 2016 <i>HK\$ million</i> (unaudited)	1 April 2015 to 31 March 2016 <i>HK\$ million</i> (audited)
Ordinary shares of HK\$0.1 each:				
<b>Authorised:</b>				
At beginning and at end of the period/year	10,000,000,000	10,000,000,000	1,000	1,000
<b>Issued and fully paid:</b>				
At beginning of the period/year	2,940,033,388	2,847,554,532	295	285
Issue of shares upon exercise of share options	9,694,000	16,440,000	1	2
Issue of shares under scrip dividend scheme	42,932,994	76,038,856	4	8
At end of the period/year	2,992,660,382	2,940,033,388	300	295

## 24. 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\$74 million (for the six months ended 30 September 2015: HK\$48 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 2016 to 30 September 2016		1 April 2015 to 31 March 2016	
	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	149,630,500	4.313	96,070,500	4.308
Granted during the period/year	10,000,000	6.320	70,000,000	4.312
Exercised during the period/year	(9,694,000)	4.313	(16,440,000)	4.284
Outstanding at the end of the period/year	149,936,500	4.447	149,630,500	4.313

## 24. SHARE-BASED PAYMENTS – continued

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

Share options expenses charge to profit or loss are based on valuation determined using the Black-Scholes Model. Share options granted in current period were valued based on the following assumptions:

Date of grant	Number of share options granted	Vesting period	Exercisable period	Fair value per option	Total fair value of options granted HK\$	Closing share price at date of grant HK\$	Exercise price HK\$	Expected volatility %	Dividend yield %	Expected interest rate %	Risk free rate
8 July 2016	2,500,000	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2.5281	6,320,173	6.32	6.32	57.86	3.07	1.5	0.75
8 July 2016	2,500,000	8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2.6654	6,663,617	6.32	6.32	57.86	3.07	1.5	0.75
8 July 2016	2,500,000	8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2.7578	6,894,536	6.32	6.32	57.86	3.07	1.5	0.75
8 July 2016	2,500,000	8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2.8096	7,024,119	6.32	6.32	57.86	3.07	1.5	0.75
	10,000,000				26,902,445						

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

The Group recognised in the total expense of HK\$50 million for the period (for the six months ended 30 September 2015: HK\$10 million) in relation to share options granted by the Company.

### Note (ii): Share awards

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

During the six months ended 30 September 2015, 10,312,000 shares in the Company have been awarded to certain directors and employees of the Company at no consideration on 20 July 2015.



## 24. SHARE-BASED PAYMENTS – continued

### Note (ii): Share awards – continued

Besides, a total of 8,442,000 (for the six months ended 30 September 2015: 8,694,000) awarded shares were vested and allotted on 31 August 2016.

Vesting dates	Outstanding at	Movement during the year			Outstanding at	Movement during the period		Outstanding at
	1 April 2015	Awarded	Allotted	Lapsed	31 March 2016	Allotted	Lapsed	30 September 2016
31 August 2015	9,266,000	-	(8,694,000)	(572,000)	-	-	-	-
31 December 2015	-	3,036,000	(2,978,000)	(58,000)	-	-	-	-
31 August 2016	9,266,000	-	-	(572,000)	8,694,000	(8,442,000)	(252,000)	-
31 December 2016	-	3,036,000	-	(58,000)	2,978,000	-	-	2,978,000
31 August 2017	9,304,000	-	-	(574,000)	8,730,000	-	(254,000)	8,476,000
31 December 2017	-	4,240,000	-	(110,000)	4,130,000	-	-	4,130,000
	27,836,000	10,312,000	(11,672,000)	(1,944,000)	24,532,000	(8,442,000)	(506,000)	15,584,000
Weighted average fair value	HK\$3.43	HK\$6.22	HK\$4.59	HK\$3.52	HK\$4.19	HK\$4.59	HK\$3.34	HK\$4.47

During the six months ended 30 September 2016, none of the (for the six months ended 30 September 2015: 13,344,000) shares of the Company were acquired (for the six months ended 30 September 2015: at a cost of HK\$69 million) for this scheme which recognised and accumulated in equity under the heading of “shares held for share award scheme”.

The Group recognised in the total expense of HK\$24 million for the period (for the six months ended 30 September 2015: HK\$38 million) in relation to share awards granted by the Company.

## 25. 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).

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2016 <i>HK\$ million</i> (unaudited)	31 March 2016 <i>HK\$ million</i> (audited)		
<b>Available-for-sale financial assets:</b>				
Listed equity securities	77	41	Level 1	Quoted bid prices in an active market
<b>Held-for-trading financial assets:</b>				
Unlisted investment fund	144	15	Level 2	Quoted bid prices for identical assets in market that are not active
<b>Derivative financial instruments:</b>				
Interest rate swap contract	(4)	–	Level 2	Discounted cash flow  Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between different levels of the fair value hierarchy for both periods ended 30 September 2016 and 2015.

The directors of the Company 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 of the Company.





## 26. PLEDGE OF ASSETS

As at 30 September 2016, 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\$86 million (as at 31 March 2016: HK\$190 million) and HK\$351 million (as at 31 March 2016: HK\$96 million) respectively;
- (b) pledged bank deposits of HK\$595 million (as at 31 March 2016: HK\$493 million);
- (c) finance lease receivables of HK\$156 million (as at 31 March 2016: HK\$158 million); and
- (d) trade receivable of HK\$14 million (as at 31 March 2016: HK\$88 million).

## 27. CAPITAL COMMITMENTS

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

	As at 30 September 2016 <i>HK\$ million</i> (unaudited)	As at 31 March 2016 <i>HK\$ million</i> (audited)
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	54	33
Factory buildings and office premises under development	722	636
	<b>776</b>	669

## 28. CONTINGENT LIABILITIES

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





## 29. RELATED PARTY TRANSACTIONS

### Trading transactions

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

	Six months ended 30 September	
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<b>Joint ventures</b>		
Advertising and promotional expenses paid	3	18
Repair and maintenance service fee paid	1	–
Sales of finished goods	–	25
<b>Associates</b>		
Sales of finished goods	188	216

### 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	
	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Short-term benefits	48	74
Share-based payments	14	18

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.





### 30. ACQUISITION OF A SUBSIDIARY

On 21 December 2015, a sales and purchase agreement was entered into between (i) RGB, an indirect wholly-owned subsidiary of the Company, and (ii) Toshiba Lifestyle Products & Services Corporation, in relation to the acquisition of equity interest in PT. Toshiba Consumer Products Indonesia (“Toshiba Indonesia”) by RGB from the shareholders of Toshiba Indonesia (the “Acquisition”).

Pursuant to the sales and purchase agreement, RGB acquired 100% equity interest in Toshiba Indonesia.

During the six months ended 30 September 2016, all the conditions precedent under the sales and purchase agreement have been fulfilled. Toshiba Indonesia becomes an indirect wholly-owned subsidiary of the Company thereafter.

The total consideration for the Acquisition is US\$19 million (equivalent to HK\$145 million), which is to be satisfied in cash.

Toshiba Indonesia is principally engaged in the business of manufacturing and sales of televisions.

#### Consideration transferred

	<i>HK\$ million</i> (unaudited)
Cash consideration payable within one year	138
Cash consideration paid	7
	<hr/> 145

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.



### 30. ACQUISITION OF A SUBSIDIARY – continued

The fair value of assets and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$ million</i> (unaudited)
<b>Non-current Assets</b>	
Property, plant and equipment	159
Prepaid lease payments on land use rights	154
<b>Current Assets</b>	
Inventories	26
Prepaid lease payments on land use rights	8
Trade and other receivables	52
Bank balances and cash	133
<b>Current Liabilities</b>	
Trade and other payables	(242)
Tax liabilities	(1)
<b>Non-current Liability</b>	
Deferred tax liability	(45)
	<hr/> 244 <hr/>

The trade and other receivables acquired with a fair value of HK\$52 million at the date of acquisition had gross contractual amounts of HK\$52 million.

The initial accounting for the assets and liabilities acquired in the above business combination with fair value of HK\$244 million have been determined by professional valuations conducted by independent valuer not connected to the Group.





### 30. ACQUISITION OF A SUBSIDIARY – *continued*

The gain on bargain purchase arising on the Acquisition is as follows:

	<i>HK\$ million</i> (unaudited)
Consideration	145
Less: Net assets acquired	(244)
<hr/>	
Gain on bargain purchase	(99)
<hr/>	

The gain on bargain purchase arose from the Group's acquisition of the entire interest in Toshiba Indonesia. The gain from a bargain purchase on acquisition was mainly attributable to the fair value of land and building that resulted in an excess of total fair value of identifiable assets and liabilities acquired over the consideration.

Net cash inflow arising on the Acquisition is as follows:

	<i>HK\$ million</i> (unaudited)
Cash consideration paid up to 30 September 2016	(7)
Less: bank balances and cash acquired	133
<hr/>	
Net cash inflow for the period	126
<hr/>	

During the six months ended 30 September 2016, Toshiba Indonesia contributed HK\$285 million and HK\$7 million to the revenue and profit of the Group.

Had the acquisition been completed on 1 April 2016, total group revenue for the six months ended 30 September 2016 would have been HK\$20,333 million, and profit for the six months ended 30 September 2016 would have been HK\$945 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

During the six months ended 30 September 2016, Toshiba Indonesia was renamed as PT. Skyworth Industry Indonesia.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

德勤

## TO THE BOARD OF DIRECTORS OF SKYWORTH DIGITAL HOLDINGS LIMITED

創維數碼控股有限公司

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyworth Digital Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 43, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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 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

22 November 2016



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the reporting period were reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

## INTERIM DIVIDEND

The Board has declared an interim dividend for the reporting period of HK9.6 cents per share of the Company (for the six months ended 30 September 2015: HK9.6 cents), totaling approximately HK\$287 million (for the six months ended 30 September 2015: HK\$280 million) to the shareholders of the Company on or around Tuesday, 7 February 2017 whose names appear on the register of members of the Company at the close of business on Friday, 9 December 2016. Shareholders of the Company may elect to receive interim dividend in the form of new shares or cash; or partly in new shares and partly in cash.

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

As at 30 September 2016, 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 of the Company

As at 30 September 2016, Directors had long positions in the shares of the Company 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	8,846,497	0.30%
	Held by spouse	(Note a and b) 1,140,876,832	38.12%
		(Note a and c) 1,149,723,329	38.42%
Yang Dongwen	Beneficial owner	20,049,927	0.67%
Shi Chi	Beneficial owner	5,184,825	0.17%
	Held by spouse	904,466	0.03%
		6,089,291	0.20%
Liu Tangzhi	Beneficial owner	4,097,153	0.13%
	Held by spouse	500,000	0.02%
		4,597,153	0.15%
Li Weibin	Beneficial owner	1,000,000	0.03%
Chan Wai Kay, Katherine (Resigned with effect from 1 October 2016)	Beneficial owner	2,350,000	0.08%

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

### (a) Shares of the Company – continued

Notes:

- (a) 1,140,876,832 shares of the Company 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 1,140,876,832 shares.
- (b) Ms. Lin Wei Ping is interested in 1,149,723,329 shares of the Company, which comprise 8,846,497 shares held by herself and the deemed interests in 1,140,876,832 shares held by her spouse Mr. Wong Wang Sang, Stephen.
- (c) Mr. Wong Wang Sang, Stephen is interested in 1,149,723,329 shares of the Company, which comprise the deemed interests in 1,140,876,832 shares held by Target Success and the deemed interests in 8,846,497 shares held by his spouse Ms. Lin Wei Ping.

### (b) Share options of the Company

As at 30 September 2016, certain Directors had personal interests in the share options granted under the Company's share option schemes as follows:

Name of Director	Capacity	Number of share options held/underlying shares of the Company
Lai Weide <i>(Appointed with effect from 8 July 2016)</i>	Beneficial owner	10,000,000
Yang Dongwen	Beneficial owner	10,000,000
Shi Chi	Beneficial owner	3,800,000
Liu Tangzhi	Beneficial owner	16,000,000
Chan Wai Kay, Katherine <i>(Resigned with effect from 1 October 2016)</i>	Beneficial owner	7,500,000
<b>Total</b>		<b>47,300,000</b>





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

### (c) Awarded shares of the Company

As at 30 September 2016, 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	336,000
Liu Tangzhi	Beneficial owner	938,000
<b>Total</b>		<b>1,274,000</b>

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 2016, 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 2016, 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> )	1,140,876,832	38.12%
Wong Wang Sang, Stephen	Held by spouse ( <i>Note b</i> )	8,846,497	0.30%
	Interest of controlled corporation ( <i>Note a</i> )	1,140,876,832	38.12%
		1,149,723,329	38.42%
Lin Wei Ping	Beneficial owner	8,846,497	0.30%
	Held by spouse ( <i>Note c</i> )	1,140,876,832	38.12%
		1,149,723,329	38.42%

Notes:

- (a) 1,140,876,832 shares of the Company 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 1,140,876,832 shares.
- (b) Ms. Lin Wei Ping is interested in 1,149,723,329 shares of the Company, which comprise 8,846,497 shares held by herself and the deemed interests in 1,140,876,832 shares held by her spouse Mr. Wong Wang Sang, Stephen.
- (c) Mr. Wong Wang Sang, Stephen is interested in 1,149,723,329 shares of the Company, which comprise the deemed interests in 1,140,876,832 shares held by Target Success and the deemed interests in 8,846,497 shares held by his spouse Ms. Lin Wei Ping.

Save as disclosed above, as at 30 September 2016, the Company had not been notified of any other interests or short positions representing 5% or more of the number of shares of the Company 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 the Company's share option schemes during the reporting period:

### (a) Directors Under 2008 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<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	-	-	-	-	-
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	-	-	-	-	-
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	-	-	-	-	-
		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
<b>Yang Dongwen</b>								
28 June 2013	3,982	28 June 2013 to 31 August 2014	1 September 2014 to 30 September 2018	-	-	-	-	-
		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>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	-	(300,000)	-	300,000
		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	-	(300,000)	-	300,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	-	-	-	600,000

## SHARE OPTIONS – continued

### (a) Directors – continued

#### Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<b>Directors: – continued</b>								
<b>Shi Chi</b>								
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
<b>Chan Wai Kay, Katherine (Resigned with effect from 1 October 2016)</b>								
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	–	–	–	–	–
		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>Liu Tangzhi</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



## SHARE OPTIONS – continued

### (a) Directors – continued

#### Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<b>Directors: – continued</b>								
<b>Liu Tangzhi</b>								
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	750,000	–	–	–	750,000
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	750,000	–	–	–	750,000
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	750,000	–	–	–	750,000
		9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	750,000	–	–	–	750,000
<b>Sub-total (Directors: 2008 Share Option Scheme)</b>				<b>31,500,000</b>	<b>–</b>	<b>(4,200,000)</b>	<b>–</b>	<b>27,300,000</b>

#### Under 2014 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<b>Lai Weide (Appointed with effect from 8 July 2016)</b>								
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	–	2,500,000	–	–	2,500,000
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	–	2,500,000	–	–	2,500,000
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	–	2,500,000	–	–	2,500,000
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	–	2,500,000	–	–	2,500,000
<b>Liu Tangzhi</b>								
15 December 2015	4.830	15 December 2015 to 14 December 2016	15 December 2016 to 30 September 2018	3,300,000	–	–	–	3,300,000
		15 December 2015 to 14 December 2017	15 December 2017 to 30 September 2018	3,300,000	–	–	–	3,300,000
		15 December 2015 to 30 March 2018	31 March 2018 to 30 September 2018	3,400,000	–	–	–	3,400,000
<b>Sub-total (Directors: 2014 Share Option Scheme)</b>				<b>10,000,000</b>	<b>10,000,000</b>	<b>–</b>	<b>–</b>	<b>20,000,000</b>
<b>(a) Sub-total (Directors)</b>				<b>41,500,000</b>	<b>10,000,000</b>	<b>(4,200,000)</b>	<b>–</b>	<b>47,300,000</b>

## SHARE OPTIONS – continued

### (b) Employees and/or Consultants Under 2008 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period <i>(Note)</i>	Cancelled during the reporting period	
<b>Employees/Consultants</b>								
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	315,000	-	-	-	315,000
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	475,000	-	-	-	475,000
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	578,000	-	-	-	578,000
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	1,546,500	-	-	-	1,546,500
26 November 2008	0.415	26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	24,000	-	-	-	24,000
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	1,500,000	-	-	-	1,500,000
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	1,500,000	-	-	-	1,500,000
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	1,500,000	-	-	-	1,500,000
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	1,500,000	-	-	-	1,500,000
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	4,558,000	-	(344,000)	-	4,214,000
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	4,588,000	-	(728,000)	-	3,860,000
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	6,202,000	-	(1,230,000)	-	4,972,000
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	7,364,000	-	(1,508,000)	-	5,856,000
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	7,800,000	-	(1,042,000)	-	6,758,000



## SHARE OPTIONS – continued

### (b) Employees and/or Consultants – continued Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<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
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	-	-	-	400,000
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	-	-	-	400,000

## SHARE OPTIONS – continued

### (b) Employees and/or Consultants – continued Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<b>Employees/Consultants – continued</b>								
29 November 2012	4.582	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	120,000
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	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
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	160,000	–	(60,000)	–	100,000
		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	40,000	–	–	–	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



## SHARE OPTIONS – continued

### (b) Employees and/or Consultants – continued Under 2008 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period (Note)	Cancelled during the reporting period	
<b>Employees/Consultants – continued</b>								
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	400,000	-	-	-	400,000
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	400,000	-	-	-	400,000
24 April 2014	4.022	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	266,000	-	-	-	266,000
		24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	266,000	-	-	-	266,000
		24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	268,000	-	-	-	268,000
<b>Sub-total (Employees and/or Consultants: 2008 Share Option Scheme)</b>				<b>48,130,500</b>	<b>-</b>	<b>(4,912,000)</b>	<b>-</b>	<b>43,218,500</b>



## SHARE OPTIONS – continued

### (b) Employees and/or Consultants – continued Under 2014 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Granted during the reporting period	Exercised during the reporting period <i>(Note)</i>	Cancelled during the reporting period	
<b>Employees/Consultants – continued</b>								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	17,154,000	-	(582,000)	-	16,572,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	17,154,000	-	-	-	17,154,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,692,000	-	-	-	25,692,000
<b>Sub-total (Employees and/or Consultants: 2014 Share Option Scheme)</b>				<b>60,000,000</b>	<b>-</b>	<b>(582,000)</b>	<b>-</b>	<b>59,418,000</b>
<b>(b) Sub-total (Employees/Consultants)</b>				<b>108,130,500</b>	<b>-</b>	<b>(5,494,000)</b>	<b>-</b>	<b>102,636,500</b>
<b>Grand Total: (a) Directors + (b) Employees and/or Consultants</b>				<b>149,630,500</b>	<b>10,000,000</b>	<b>(9,694,000)</b>	<b>-</b>	<b>149,936,500</b>

Note:

The weighted average closing prices of the shares of the Company immediately before the date on which the share options were exercised during the reporting period was HK\$6.06.

## SHARE AWARD SCHEME

The Share Award Scheme was approved by the Board on 24 June 2014. The maximum number of shares of the Company 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 of the Company (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, the Company did not purchase any shares of the Company from the market through an independent trustee. As at 30 September 2016, 38,205,739 shares of the Company 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 of the Company were granted by the Board pursuant to the Share Award Scheme. 8,694,000 and 8,442,000 awarded shares were vested on 31 August 2015 and 31 August 2016 respectively and the remaining awarded shares will be vested on 31 August 2017.



## SHARE AWARD SCHEME – continued

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

On 20 July 2015, a total of 10,312,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,978,000 awarded shares were vested on 31 December 2015 and the remaining awarded shares will be vested on 31 December 2016 and 2017, respectively.

During the reporting period, cash dividend of HK\$6,717,274.41 had been received in respect of the shares of the Company 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 to purchase shares of the Company 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 2016, 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 award shares			Outstanding as at 30 September 2016
		Outstanding as at 1 April 2016	Granted during the reporting period	Vested during the reporting period	
<b>Yang Dongwen</b>					
25 July 2014	31 August 2015	–	–	–	–
	31 August 2016	332,000	–	(332,000)	–
	31 August 2017	336,000	–	–	336,000
		668,000	–	(332,000)	336,000
<b>Liu Tangzhi</b>					
25 July 2014	31 August 2015	–	–	–	–
	31 August 2016	266,000	–	(266,000)	–
	31 August 2017	268,000	–	–	268,000
20 July 2015	31 December 2015	–	–	–	–
	31 December 2016	330,000	–	–	330,000
	31 December 2017	340,000	–	–	340,000
		1,204,000	–	(266,000)	938,000
<b>Total</b>		<b>1,872,000</b>	<b>–</b>	<b>(598,000)</b>	<b>1,274,000</b>

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, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2016.

## MODEL CODE

The Company has adopted the 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 transactions by Directors adopted by the Company throughout the reporting period.

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

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, as at the date of this report, the changes in information of Directors as notified to the Company subsequent to the date of the 2015/16 annual report of the Company are set out below:

Directors	Detail of Changes
Mr. Lai Weide	– Appointed as the Chairman of the Board and an executive Director with effect from 8 July 2016.
Ms. Chan Wai Kay, Katherine	– Resigned as an executive Director with effect from 1 October 2016; and ceased to act as an authorised representative of the Company and a member of the Nomination Committee with effect from 1 October 2016.
Ms. Lin Wei Ping	– Ceased to be executive chairperson of the Company with effect from 8 July 2016. – Appointed as an authorised representative of the Company and a member of the Nomination Committee with effect from 1 October 2016.
Mr. Shi Chi	– Appointed as the president of Shenzhen Young Science and Technology Talents Association and vice president of Shenzhen Software Industry Association.

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.





## **CORPORATE GOVERNANCE STANDARDS**

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is continually committed to maintain a high standard of corporate governance in the interests of its shareholders of the Company. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the CG Code.

During the reporting period and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provisions A.6.7 and E.1.2 of the CG Code as the Chairman of the Board and 2 independent non-executive Directors were unable to attend the annual general meeting of the Company held on 28 July 2016 as they had other engagement.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's annual report 2015/16.

## **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 4 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 2015/16. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website (<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 14 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, discuss and evaluate the business performance and other business and operational matters of each major subsidiary within the Group.

### **Nomination Committee**

The Nomination Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012. The Nomination Committee is comprised of 4 members. The chairperson of the Nomination Committee is Mr. Wei Wei and the other members are Ms. Lin Wei Ping, Mr. Li Weibin and Mr. Cheong Ying Chew, Henry. Except for Ms. Lin Wei Ping is an executive Director, all remaining 3 members are independent non-executive Directors.

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy ("Policy") which setting out the basic principles to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Policy, 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.



## **BOARD COMMITTEES** – *continued*

### **Nomination Committee** – *continued*

In considering the new appointment of Directors, the Nomination Committee had considered the Policy and with reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

During the reporting period and up to the date of this report, the Nomination Committee held 2 meetings to review the composition of the Board; to review and assess the independence of independent non-executive Directors; to review the proposal on the appointment of executive Director and Chairman of the Board; and to make recommendations to the Board for such proposal.

### **Remuneration Committee**

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012. The Remuneration Committee is comprised of 4 members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Ms. Lin Wei Ping, Mr. Wei Wei and Mr. Cheong Ying Chew, Henry. Except for Ms. Lin Wei Ping is an executive Director, the remaining 3 members of the Remuneration Committee are independent non-executive Directors.

The remuneration policy of the Group is designed to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme.

During the reporting period and up to the date of this report, the Remuneration Committee held 3 meetings to review the bonus payable to the Directors and senior management by the Group; to review a consultancy contract of a consultant; to review the remuneration package for the appointment of executive Director and Chairman of the Board; and to review the service contracts of an independent non-executive Director and a senior management.

### **Audit Committee**

The Audit Committee was established by the Board since the listing of the shares of the Company on the Stock Exchange on 7 April 2000. The Audit Committee is comprised of 3 independent non-executive Directors. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Wei Wei.





## **BOARD COMMITTEES** – *continued*

### **Audit Committee** – *continued*

During the reporting period and up to the date of this report, the Audit Committee held 2 meetings and performed the following duties:

- (a) to review and comment on the Company's 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 in 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 can enhance shareholders' value in the long run.

The Group made significant progress on the core elements of its ongoing efforts to promote corporate sustainability during the reporting period. The Company has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for 2 consecutive years since 2015, acknowledging the Group's performance with regards to its corporate responsibility, environmental, social and corporate governance aspects.

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 Protection**

Through persistent effort on technical innovation and the internal guidelines, the Group is committed to reduce the greenhouse gas and wastes generated in daily operations in order to minimise the organisational impacts to the environment. The Group implemented various measures to reduce the amount of greenhouse gas emissions, hazardous and non-hazardous wastes.

The Group always cherishes natural resources and believes that business expansion and minimisation of the consumption of natural resources can co-exist. Several energy efficiency programmes have been actively implemented by the Group in order to minimise the consumption of natural resources.



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

### **Our People**

The Board believes that employees are the Group's valuable assets and the primary force in driving its business growth on a sustainable basis. The Group advocates team spirit and facilitates our employees to develop their full potential. Various training programmes have been offered to develop their potential and professional knowledge.

Since incorporation, the Group has placed emphasis on talent management and development. As at 30 September 2016, we had over 39,000 full-time employees, including our head office management team, innovation development team, research and development team, administration team and frontline manufacturing staff, etc. Our staff members are mainly located in the PRC and Hong Kong while some of them are located in the overseas.

For detailed information about the corporate sustainability practices of the Company, please refer to the "Corporate Social Responsibility Report" contained in the Company's annual report 2015/16.

### **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 in December 2005 with its major duty is to provide an independent appraisal function to examine and evaluate the operations of the Group's internal control and risk management systems. The Risk Management Department assists all levels of administrations 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 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 Department attended 2 Audit Committee meetings to report the progress and findings of the works performed so far and to discuss the internal audit plan of the Group.





## INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- (a) achieve business objectives and safeguard assets against unauthorised use or disposition;
- (b) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- (c) ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and manage, rather than eliminate, risks of failure in operational systems, and to ensure achievement of the Group's objectives.

### Internal Audit Department

The Internal Audit Department was established since 1996, its principal duties are examining and evaluating the business operations of the sales offices and branches of all the business units and ensuring the compliance status of the Group's business units. Besides, the Internal Audit Department also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group.

During the reporting period, the Internal Audit Department carried out the audit works of certain major business units, and provided recommendations on management enhancement and operational efficiency.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 December 2016 to Friday, 9 December 2016, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend payable on or around Tuesday, 7 February 2017, 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, 6 December 2016.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Lai Waide as the Chairman of the Board, Mr. Yang Dongwen as executive Director and the chief executive officer, Ms. Lin Wei Ping, Mr. Shi Chi and Mr. Liu Tangzhi as executive Directors; and Mr. Li Weibin, Mr. Wei Wei and Mr. Cheong Ying Chew, Henry as independent non-executive Directors.

By order of the Board

### Lai Weide

*Chairman of the Board*

22 November 2016





# GLOSSARY

“AR”	Augmented Reality
“Audit Committee”	The audit committee of the Company
“Board”	The board of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Company” or “Skyworth”	Skyworth Digital Holdings Limited, a company incorporated in Bermuda
“Coocaa Company”	Shenzhen Coocaa Network Technology Company Limited, a company established in the PRC
“Director(s)”	Directors of the Company
“EBIT”	Earnings before interest and taxation
“EBITDA”	Earnings before interest, taxation, depreciation and amortisation
“Executive Committee”	The executive committee of the Company
“EUR”	Europe dollars, the lawful currency of the Eurozone
“EURIBOR”	Euro Interbank offered rate
“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
“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
“Nomination Committee”	The nomination committee of the Company
“O2O”	Online to offline
“ODM”	Original Design Manufacturer
“OEM”	Original Equipment Manufacturer
“OLED”	Organic Light Emitting Diode
“OTT”	Over-the-top
“PRC” or “China”	People’s Republic of China
“Remuneration Committee”	The remuneration committee of the Company
“RGB”	Shenzhen Chuangwei-RGB Electronics Co., Ltd, a company established in the PRC
“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 Award Scheme”	Share award scheme approved and adopted by the Board on 24 June 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“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 United States of America
“VR”	Visual Reality
“2008 Share Option Scheme”	Share option scheme approved and adopted at the annual general meeting held on 30 September 2008
“2014 Share Option Scheme”	Share option scheme approved and adopted at the annual general meeting held on 20 August 2014
“4K Smart TV”	Smart TV with UHD (4Kx2K) panel
“%”	Per cent

