SKYWORTH

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

(Incorporated in Bermuda with limited liability)

Stock Code : 00751.HK

2018/19
INTERIM REPORT

SKYWORTH 創維

CONTENTS

FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		
	2018 (unaudited)	2017 (unaudited)	Change
OPERATING RESULTS			
Revenue	**22,252**	21,489	+3.6%
Earnings (loss) before interest and tax	**679**	(12)	+5,758.3%
EBITDA	**1,099**	335	+228.1%
Profit (loss) for the period	**348**	(189)	+284.1%
Profit (loss) attributable to owners of the Company	**250**	(192)	+230.2%
FINANCIAL POSITION			
Net cash (used in) from operating activities	**(2,120)**	778	–372.5%
Cash position*	**4,980**	8,614	–42.2%
Borrowings	**7,630**	7,681	–0.7%
Corporate bonds	**2,276**	2,340	–2.7%
Equity attributable to owners of the Company	**18,888**	16,160	+16.9%
Working capital	**10,739**	10,429	+3.0%
Bills receivables	**5,565**	4,530	+22.8%
Trade receivables	**9,896**	8,175	+21.1%
Inventories	**6,350**	6,770	–6.2%
KEY RATIOS			
Gross profit margin (%)	**18.0%**	15.8%	+2.2pp
EBIT margin (%)	**3.1%**	–0.1%	+3.2pp
EBITDA margin (%)	**4.9%**	1.6%	+3.3pp
Profit margin (%)	**1.6%**	–0.9%	+2.5pp
ROE (%)	**2.6%**	–2.4%	+5.0pp
Debt to equity (%)**	**47.2%**	57.2%	–10.0pp
Net debt to equity***	**Net Cash**	Net Cash	N/A
Current ratio (times)	**1.4**	1.4	–
Trade receivables turnover period (days)****	**127**	106	+19.8%
Inventories turnover period (days)****	**67**	68	–1.5%
DATA PER SHARE (HK CENTS)			
Earnings (loss) per share – Basic	**8.25**	(6.38)	+229.3%
Earnings (loss) per share – Diluted	**8.24**	(6.38)	+229.2%
Dividend per share	**–**	–	–
Book value per share	**686.08**	572.26	+19.9%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Skyworth Digital Holdings Limited (Shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	**3,061**	3,061	–
Market capitalisation	**6,765**	12,213	–44.6%
Skyworth Digital Co., Limited (Shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,075**	1,071	+0.4%
Market capitalisation	**7,958**	13,626	–41.6%

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

** (Borrowings + corporate bonds)/total equity

*** (Cash position + bills on hand – borrowings – corporate bonds)/total equity

**** 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)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin

Independent Non-executive Directors

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

MEMBERS OF COMMITTEES

Audit Committee

Mr. Cheong Ying Chew, Henry *(Chairperson)*
Mr. Li Weibin
Mr. Li Ming

Executive Committee

Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Huang Mingyan
Mr. Lam Shing Choi, Eric
Mr. Wu Wei
Mr. Wang Zhiguo

Nomination Committee

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

Remuneration Committee

Mr. Li Weibin *(Chairperson)*
Mr. Cheong Ying Chew, Henry
Mr. Li Ming
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

Bank of China Limited
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 IN HONG KONG

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) 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 of Hong Kong Limited
Stock Code: 00751

COMPANY WEBSITE

http://www.skyworth.com

OPERATIONAL AND FINANCIAL REVIEW

HIGHLIGHTS OF RESULTS

The financial results of Skyworth Digital Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018 (the "Current Period") are as follows:

- Revenue amounted to HK$22,252 million (71.8% of which was recorded from sales in the mainland China market), representing an increase of 3.6% compared to the same period of previous year.

- Sales of TV products and digital set-top boxes and LCD modules accounted for 57.7% and 18.2% of the Group's total revenue, respectively.

- Gross profit achieved HK$4,012 million, an increase of 18.5%. While the gross profit margin was 18.0%, representing an increase of 2.2 percentage points compared to the same period of previous year.

- Unaudited profit before and after non-controlling interests for the Current Period were HK$348 million and HK$250 million respectively as compared to loss of HK$189 million and HK$192 million over the same period of previous year, respectively.

- Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (for the six months ended 30 September 2017: Nil).

BUSINESS PERFORMANCE REVIEW

Moderate increase in revenue

During the Current Period, as the fierce competition in both the domestic and overseas markets continued to soften, the Group adhered to its development philosophy of being a "technological leader" and developing "health-focused technologies", it therefore focused on consumer experience and the improvement of product competitiveness. The Group made structural adjustments in relation to its TV products and customer base, fully leveraging on its advantages as an early mover amid the trend of accelerated penetration of OLED TV. By introducing products of greater value for money, not only did the Group further increase its market share, it also recorded fast growth in revenue from its internet-based content. Meanwhile, its digital set-top boxes and white appliances businesses both delivered growth. As a result, the Group's overall revenue reached HK$22,252 million, representing a year-on-year growth of 3.6% as compared with the same period of previous year.

During the Current Period, the Group's sales volume of TV by products and markets are as follows:

	April to September 2018 ***Unit ('000)***	April to September 2017 *Unit ('000)*	April to September 2018 vs April to September 2017 *Increase/ (Decrease)*
TV sales volume			
Mainland China Market	**4,004**	3,499	14.4%
Including:			
– 4K TV	***2,126.0***	*1,880.2*	*13.1%*
– Non-4K TV	***1,877.6***	*1,618.6*	*16.0%*
Overseas Market	**3,474**	3,855	(9.9%)
Total TV sales volume	**7,478**	7,354	1.7%

For the six months ended 30 September 2018, the Group's user population of Skyworth Smart TV in the mainland China market is as below:

– Total volume of activated internet TV: 31,421,677

– Smart TV weekly active volume: 15,214,668

– Smart TV daily active volume: 11,324,816

Revenue analysis by geography and product markets

Mainland China Market

During the Current Period, the mainland China market accounted for 71.8% of the Group's total revenue, representing an increase of 15.0% from HK$13,900 million for the same period of previous year to HK$15,979 million.

The Group's TV business in mainland China accounted for 52.9% of the total domestic revenue. The sales of digital set-top boxes and LCD modules and white appliances (excluding air conditioning products) accounted for 16.9% and 7.7%, respectively. Other business units include those involved in financial services, rental collection, property development, lighting products, security systems, air conditioners and other electronic products, attributed the remaining of 22.5%.

TV products

During the first half of 2018, through its self-developed AI chips, named "hummingbird" and "chameleon", the Group significantly improved image quality and colour performance of its TV products, with a significant enhancement in voice interaction. Having built a strong voice-based search platform, "Xiao Wei（小維）", our newly introduced virtual assistant, can accurately receive and fully comprehend commands given by users to address their needs, making human-computer interaction more comfortable and accessible. In addition, the Group also introduced a brand new AI TV series, creating competitive advantages through differentiation in voice-based functions, and exploring a new arena for AI TV. Further, Skyworth also became the first mainland-based manufacturer to successfully achieve mass production of OLED screens. As of the date of this report, Skyworth has developed and started the mass production of more than 10 models of OLED TV, enabling the Group's TV business to secure a leading position in mainland China's OLED market.

For the first half of 2018, our sales volume grew by 14.4% year-on-year. As we remained focused on promoting large-sized 4K TV, sales of 4K smart TV increased by 13.1% year-on-year; meanwhile, sales of non-4K TV also increased by 16.0% year-on-year in the mainland China market. However, in order to cope with lower costs of key materials and fierce competition in the marketplace, the Group adjusted the unit rates of its TV products in the mainland China market. As a result, revenue from the Group's TV products in the mainland China market recorded a mild decrease of 3.6% to HK$8,450 million, compared with HK$8,764 million in the same period of previous year.

During the Current Period, the Group saw a significant growth of 120.7% in revenue from its internet-based content, which increased to HK$298 million from HK$135 million in the same period of the previous year. As of 30 September 2018, Skyworth had over 31 million activated users for its smart TV in the Chinese market, and had attracted over 11 million daily active users. Our industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited*（百度控股有限公司）("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Shenzhen Coocaa", an indirect non-wholly owned subsidiary of the Company). We are confident that building on the joint efforts of these giants in the internet industry, our smart-home and smart-city businesses will be growing at an even faster pace.

Digital set-top boxes and LCD modules

The revenue of digital set-top boxes and LCD modules in the mainland China market recorded HK$2,702 million, representing an increase of HK$290 million or 12.0%, compared with HK$2,412 million recorded in the same period of previous year.

During the Current Period, smart integrated terminal box on domestic radio and television market recorded greater weighting of sales, and our ONU access terminals has captured bigger market share. Our market share and coverage in the centralised procurement market of China Telecom have further increased. As we won bids for more than 10 provinces in China Unicom's intelligent gateway programme, we have become one of its core suppliers, with a steady growth in share of its procurement. We also supply our products to three own brands of China Mobile, and our intelligent gateway products have been launched through the Internet of Things in provinces where it operates. In cooperation with Baidu, the Group launched Skyworth Xiao Pai（小派）smart OTT speaker box for television, a first-to-market artificial intelligence interactive product centred on a TV-based giant screen ecology. As a multi-functional system integrating intelligent audio + TV set-top box + home theatre + karaoke system + intelligent ecology, it is powered by duer OS AI system developed by Baidu and integrates features of duer OS (including voice recognition and voice understanding) as well as Baidu's content database, encyclopaedic knowledge, stock information, weather and video streaming.

White Appliances

The revenue of white appliances in the mainland China market recorded HK$1,234 million, representing an increase of HK$179 million or 17.0%, compared with HK$1,055 million recorded in the same period of previous year.

Notwithstanding the growing market penetration of refrigerators and washing machines in mainland China, the market for refrigerators and washing machines has now entered a "new normality" of medium-to-low growth, as consumption needs were restricted due to decelerated economic growth. Under such circumstances, structural upgrading of products has not just become the main priority in sector development, it is also a key driver of market growth. Meanwhile, as one of the major trends, the market is evolving towards an upgraded portfolio of high-end, smart products offering greater health benefits. Under its new AI-centred strategy, the Group aims to keep increasing the core competitiveness of its products. On the one hand, we will incorporate technological innovation and smart technologies into our products to enable customisation for our customers, thereby making continuous improvement in our product mix through differentiation; on the other hand, we will fully utilise our capabilities in product research and development, as well as mass production, with a view to making needed products for our customers in a timely manner. During the Current Period, the Group launched an i-DD voice-commanded washing machine with dual-cleaning function. Equipped with the 3rd generation of AI voice system, not only can this model deliver doubled cleaning efficiency on top of numerous advanced functions, such as "offline operation, multi-lingual capacity, multiple microphones, upgraded support, multi-scenario application and over 60 commands", it is also equipped with a direct-drive converter-fed DC motor and our i-health system, delivering high energy efficiency and durability. This voice-commanded new product with dual-cleaning function also offers a wide range of health technologies, it can prevent cross-contamination caused by pollutants and detergent residue in the drum, adding extra protection for a healthy life.

Additionally, as the Group continues to improve the layout of its sales channels, it has achieved omni-channel coverage in large chain stores, e-commerce platforms and brick-and-mortar stores. As a result, sales of while appliances remained robust during off-peak seasons, driving a year-on-year growth in revenue.

Overseas Markets

During the Current Period, revenue in overseas markets accounted for HK$6,273 million, equivalent to 28.2% of the Group's overall revenue, representing a decrease of 17.3% when compared with HK$7,589 million recorded in the same period of previous year.

TV products

During the Current Period, revenue of the Group's TV products in overseas markets dropped to HK$4,399 million, representing a decrease of 24.4% when compared with HK$5,820 million recorded in the same period of previous year.

By seizing great advantages and opportunities arising from the "Belt and Road" national initiative, the Group is committed to improving its global deployment through the strategy of "internationalisation". However, global operation has become more difficult due to rising trade protectionism, as various countries continue to raise import tariffs to safeguard national interests and improving domestic employment. Meanwhile, as exports of emerging markets, such as Brazil, Argentina, Turkey and Russia, now face serious set-backs due to significantly lower exchange rates, operations have also become more challenging for existing partners. In order to ensure stability and continuity of our operations, the Group has adopted relatively conservative sales strategies. As a strategic decision, the Group cancelled projects of low profit margin, leading to a decline in revenue from its OEM business.

Through the model of Original Equipment Manufacturer ("OEM"), Original Design Manufacturer ("ODM") and the establishment of overseas sales office, the Group's own TV brand focused on promotional and marketing campaigns over the years, managing to gain increasing popularity and visibility in overseas markets. However, due to the late formation of its business layout, as well as subdued market activities and limited sales channels, our European business had to reduce its operation scale to manage risks and accelerate inventory turnover.

Digital set-top boxes and LCD modules

During the Current Period, the revenue of digital set-top boxes and LCD modules in overseas markets recorded HK$1,350 million, comparing with HK$1,422 million recorded in the same period of previous year, representing a slight decrease of 5.1%.

During the Current Period, the Group's digital set-top boxes business recorded large volume of sales in overseas markets, including Asia Pacific, South Africa, India, South America and Europe. On the other hand, in response to the emerging market demand featured by the trend towards IP, the Company has also made significant investment in the research and development of new product series for Android ecosystem. By establishing strategic partnership with companies such as Google and Netflix, the Company has made new breakthroughs in areas such as DVB + OTT and OTT in overseas markets.

Geographical distribution of revenue in overseas markets

During the Current Period, the Group's overseas markets concentrated in Asia, Middle East and Africa, with aggregation up to 83% in the overseas revenue. Within this proportion, the revenue from African markets rose by 8 percentage points due to the Group's dedicated effort in expanding its presence in new markets across Africa. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2018	2017
	(%)	*(%)*
Asia	**53**	52
Middle East	**15**	13
Africa	**15**	7
Europe	**11**	13
America	**6**	14
Oceania	**0**	1
	100	100

Gross profit margin

During the Current Period, the overall gross profit margin of the Group was 18.0%, representing an increase of 2.2 percentage points in comparison to the same period of previous year.

During the Current Period, multiple integrated methods were adopted to increase the gross profit margin of our TV products. In light of a significant reduction in the price of upstream panel, the Company lowered prices in line with market trends, and launched the MAXTV and OLED series, which focused on user experience through product differentiation, thus further expanding its presence in larger-sized (55-inch and over) products. At the same time, the Group disposed of cooperative projects of low and negative gross profit margin in overseas markets, reinforced cooperation with core customers, thereby further improving service standards and product competitiveness. As a result, the gross profit margin of our TV products in overseas markets increased on a year-on-year basis.

Meanwhile, relying on strong research and development capabilities, our digital set-top boxes have been well received by customers. After proactive negotiation with our customers, the Group managed to offset part of the effect from higher raw material prices through an appropriate increase in product prices. Additionally, with increased delivery of products of high added-values, digital set-top boxes recorded a year-on-year growth in both gross profit margin and revenue, and made greater contribution to the Group's growth in gross profit margin during the Current Period.

Expenses

The Group's selling and distribution expenses for the Current Period decreased by HK$224 million or 9.6% to HK$2,113 million when compared with that for the same period of previous year. The selling and distribution expenses to revenue ratio dropped by 1.4 percentage points from 10.9% to 9.5%.

The Group's general and administrative expenses increased by HK$229 million or 17.3% to HK$1,556 million when compared with that for the same period of previous year. The general and administrative expenses to revenue ratio rose by 0.8 percentage points from 6.2% to 7.0%. Since the Group had devoted enormous resources in research and development during the Current Period in proposition of developing high quality smart products and increasing its corporate competitiveness, wherein the research and development expenses increased by HK$171 million or 21.4% to HK$971 million.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy to maintain stable financial conditions. The Group's net current assets as at the end of the Current Period was HK$10,739 million, a decrease of HK$1,395 million or 11.5% when compared with that as at 31 March 2018. As at the end of the Current Period, bank balances and cash amounted to HK$4,233 million, representing a decrease of HK$4,862 million when compared with that as at 31 March 2018, representing a decrease of HK$3,570 million when compared with that as at 30 September 2017. As at the end of the Current Period, pledged bank deposits amounted to HK$256 million, a decrease of HK$161 million when compared with that as at 31 March 2018, also a decrease of HK$22 million when compared with that as at 30 September 2017. As at the end of the Current Period, restricted bank deposits amounted to HK$491 million, a decrease of HK$150 million when compared with that as at 31 March 2018, also a decrease of HK$42 million when compared with that as at 30 September 2017.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at the end of the Current Period, such secured assets included bank deposits of HK$256 million (as at 31 March 2018: HK$417 million), trade receivables of HK$23 million (as at 31 March 2018: HK$32 million), bills receivables of HK$437 million (as at 31 March 2018: HK$573 million), as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with net book value of HK$282 million (as at 31 March 2018: HK$324 million).

At the end of the Current Period, total bank loans amounted to HK$7,630 million (as at 31 March 2018: HK$9,322 million), corporate bonds (inclusive of interest) amounted to HK$2,276 million (as at 31 March 2018: HK$2,555 million). Overall interest-bearing liabilities of the Group were HK$9,906 million (as at 31 March 2018: HK$11,877 million), equity attributable to owners of the Company amounted to HK$18,888 million (as at 31 March 2018: HK$18,607 million). The debt to equity ratio revealed as 47.2% (as at 31 March 2018: 57.6%).

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"), others are denominated in Hong Kong dollar, US dollar and Euro. The Group uses general trade financing to fulfil 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. The management of the Group regularly reviews changes in its foreign currency and interest rate exposures, in order to determine the need on hedging of foreign exchange. However, the US-China trade war and another interest-rate hike cycle have made it more difficult to predict future changes in interest rates. During the Current Period, the Group recorded net foreign exchange gain of HK$60 million.

In addition, the Group still holds the following investments during the Current Period:

(a) Unlisted equity securities

As at 30 September 2018, the Group holds investments in 30 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) is HK$3,904.0 million, of which HK$3,422.8 million represents the Group's investment in a PRC investee company in which the Group holds 10% equity interest. The principal business activity of such investee company is manufacturing and sale of flat screen display, display materials, LCD related products and other electronic accessories.

(b) Listed equity securities

As at 30 September 2018, the Group holds two listed equity securities, details of which are as follows:

Listed company	Shareholding as at 30 September 2018	Value of investment as at 30 September 2018 *(HK$ million)*	Value of investment as at 31 March 2018 *(HK$ million)*	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	5.04%	30.6	43.4	The Stock Exchange of Hong Kong Limited	Manufacturing and sale of air-conditioners
Ningbo Exciton Technology Co., Limited	0.88%	24.4	35.1	The Shenzhen Stock Exchange	Manufacturing and sale of flat screen display

The management looks upon these two listed equity securities as a medium to long term investment, and somehow their businesses have similarities to the Group. Our judgment on their performance coincides with the whole electronic industry, which is one of the main business sectors being advocated by the Chinese government, however, the returns from these investments might still be affected by market uncertainties. The management will take a prudent approach to deal with these investments and take necessary actions to cope with market changes.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Current Period, in order to cope with the expanding production scale and improving production capacity of smart products, the Group invested a total of approximately HK$272 million in construction projects, including the expansion of production plants in Nanjing, Guangzhou and Shenzhen, and approximately HK$294 million for purchasing machinery and other equipment for production lines and improvement of facilities in production plants. The Group planned to further invest HK$442 million on property, plant and equipment, factory buildings and office premises under development, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of intelligent, diversified and internationalised products.

CONTINGENT LIABILITIES

There are individual patent disputes which arise in the 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 interim financial statements of the Group.

HUMAN RESOURCES CAPITAL

As at 30 September 2018, the Group had around 36,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 31 branches and 236 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 continues to strengthen the infrastructure of human resources, provides guidance to position titles, salary norms, and gradually establishes a long-term centralised selection, training and development mechanism and a specified department to enhance the professionalism and leadership skills of senior personnel staff.

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

OUTLOOK

Enabled by rapid economic and scientific development, people are becoming keener on improving their quality of life. Driven by the rapid progress of internetisation, digitalisation and smartisation of various technologies, such as the internet, internet of things, AI, cloud computing and big data, the Group is now operating in a new era of home appliance industry and consumption upgrade, with accelerated development of home appliances towards high-end finishes, smart capabilities and multiple functions. While the home appliance industry is faced with daunting challenges, it is also given great opportunities for future development. The Group will pay close attention to the trends in the global electronic information industry, fully comprehend new features and new technologies emerging in the smart home appliance industry, prioritise innovation-driven, technology-driven and capacity-driven development, with a view to staying focused on the promotion of transformation and upgrading.

To accelerate its reform and upgrade, the Group actively takes part in the national initiative of developing China into a manufacturing power. Adhering to its corporate philosophy of "innovation, entrepreneurship and pursuing future growth", the Group has established a five-year overall strategic direction for upgrading through reformation (also known as the "1334 Strategy"), under which it will organise operations around the objective of reaching the revenue threshold of one hundred billion, which will entail the full implementation of three key strategies, namely operation intellectualisation, refinement and internationalisation. By promoting the construction of its three key projects (namely the headquarters base, the Pearl River Delta smart manufacturing base and the Yangtze River Delta smart manufacturing base), together with the development of its four key business sectors (namely multimedia, smart appliances, smart systems technology and modern services), the Group aims to transform Skyworth into a leading enterprise in the field of smart home appliances and information technology that is known for advanced technologies of its key products, sound corporate governance, effective operations, stringent supervision, adequate incentives and global competitiveness.

Going forward, the Group will fully promote the implementation of its "1334 Strategy" in the coming years, with increased efforts in reform, innovation, as well as accelerated transformation and upgrading. In addition to allocating additional resources to the development and utilisation of new technologies, such as AI, internet of things and 5G connectivity, the Group will also accelerate the integration among hardware, software, systems, content and services, increase its effort in integrating key supporting resources in the upstream and downstream industries, so as to build an ecosystem for the smart appliance industry, injecting new momentum and driving faster development. The Group's management is confident that Skyworth is well positioned to seize opportunities arising from the current home appliance industry and consumption upgrade, and that through its work in the next few years, Skyworth will be able to accelerate industrial transformation, technological upgrading and product innovation, thereby promoting sustainable development for the longer term.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars except for earnings (loss) per share data

	NOTES	Six months ended 30 September 2018 (unaudited)	2017 (unaudited)
Revenue			
Sales of goods		**21,860**	21,243
Rental		**213**	155
Interest		**179**	91
Total revenue	*3*	**22,252**	21,489
Cost of sales		**(18,240)**	(18,103)
Gross profit		**4,012**	3,386
Other income		**409**	515
Other gains and losses	*5*	**(7)**	(237)
Impairment loss recognised in respect of financial assets	*5*	**(66)**	(11)
Selling and distribution expenses		**(2,113)**	(2,337)
General and administrative expenses		**(1,556)**	(1,327)
Finance costs	*6*	**(241)**	(141)
Share of results of associates		**6**	2
Share of results of joint ventures		**–**	3
Profit (loss) before taxation		**444**	(147)
Income tax expense	*7*	**(96)**	(42)
Profit (loss) for the period	*8*	**348**	(189)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8)**	693
Fair value loss on available-for-sale financial assets, net of tax		**–**	(20)
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(2,084)**	–
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax		**(263)**	–
Other comprehensive (expense) income for the period		**(2,355)**	673
Total comprehensive (expense) income for the period		**(2,007)**	484
Profit (loss) for the period attributable to:			
Owners of the Company		**250**	(192)
Non-controlling interests		**98**	3
		348	(189)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(1,951)**	348
Non-controlling interests		**(56)**	136
		(2,007)	484
Earnings (loss) per share (expressed in Hong Kong cents)			
Basic	*9*	**8.25**	(6.38)
Diluted	*9*	**8.24**	(6.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2018 (unaudited)	As at 31 March 2018 (audited)
Non-current Assets			
Property, plant and equipment	11	**7,256**	7,910
Deposits for purchase of property, plant and equipment		**224**	247
Investment properties		**4**	5
Prepaid lease payments on land use rights		**2,615**	3,014
Goodwill		**451**	526
Intangible assets		**115**	117
Interests in associates		**88**	85
Interests in joint ventures		**26**	49
Available-for-sale investments	12	**–**	1,440
Equity instruments at fair value through profit and loss (“FVTPL”)	12	**527**	–
Equity instruments at FVTOCI	12	**3,432**	–
Loan receivables	13	**64**	2
Deferred tax assets		**603**	496
		15,405	13,891
Current Assets			
Inventories		**6,350**	6,486
Stock of properties		**974**	1,403
Prepaid lease payments on land use rights		**76**	83
Investments in debt securities	14	**206**	114
Derivative financial instruments		**6**	–
Available-for-sale investments	12	**–**	102
Held-for-trading investments		**–**	40
Financial assets at FVTPL		**96**	–
Trade and bills receivables	15	**15,461**	15,482
Other receivables, deposits and prepayments	16	**3,491**	2,398
Loan receivables	13	**2,944**	3,334
Finance lease receivables	17	**151**	173
Amounts due from associates		**172**	32
Amounts due from joint ventures		**2**	–
Prepaid tax		**33**	50
Pledged bank deposits		**256**	417
Restricted bank deposits	18	**491**	641
Bank balances and cash		**4,233**	9,095
		34,942	39,850
Assets classified as held for sale	19	**115**	–
		35,057	39,850

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

AT 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	NOTES	**As at 30 September 2018 (unaudited)**	As at 31 March 2018 (audited)
Current Liabilities			
Trade and other payables	*20(a)*	**10,373**	12,533
Bills payable	*21*	**5,592**	6,793
Derivative financial instruments		**–**	3
Contract liabilities		**1,394**	–
Provision for warranty		**105**	171
Amounts due to associates		**17**	29
Amount due to a non-controlling shareholder of a subsidiary		**57**	75
Tax liabilities		**130**	113
Borrowings	*22*	**6,335**	7,687
Deferred income		**315**	312
		24,318	27,716
Net Current Assets		**10,739**	12,134
Total Assets less Current Liabilities		**26,144**	26,025
Non-current Liabilities			
Other financial liabilities	*20(b)*	**193**	202
Provision for warranty		**145**	82
Borrowings	*22*	**1,295**	1,635
Corporate bonds	*23*	**2,267**	2,481
Deferred income		**728**	804
Deferred tax liabilities		**515**	192
		5,143	5,396
NET ASSETS		**21,001**	20,629
Capital and Reserves			
Share capital	*24*	**306**	306
Share premium		**3,599**	3,599
Share option reserve		**72**	223
Share award reserve		**5**	–
Shares held for share award scheme		**(125)**	(134)
Investment revaluation reserve		**–**	26
FVTOCI reserve		**2,310**	–
Surplus account		**38**	38
Capital reserve		**1,483**	1,483
Exchange reserve		**(1,018)**	920
Accumulated profits		**12,218**	12,146
Equity attributable to owners of the Company		**18,888**	18,607
Non-controlling interests		**2,113**	2,022
		21,001	20,629

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company												Attributable to non-controlling interest			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Subtotal	Share award scheme reserve of a subsidiary	Share of net assets of subsidiaries	Subtotal	Total
Balance as at 1 April 2017 (audited)	305	3,527	206	33	(164)	61	–	38	1,402	(341)	10,412	15,479	–	1,334	1,334	16,813
(Loss) profit for the period	–	–	–	–	–	–	–	–	–	–	(192)	(192)	–	3	3	(189)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	560	–	560	–	133	133	693
Fair value loss on available-for-sale financial assets, net of tax	–	–	–	–	–	(20)	–	–	–	–	–	(20)	–	–	–	(20)
Total comprehensive (expense) income for the period	–	–	–	–	–	(20)	–	–	–	560	(192)	348	–	136	136	484
Recognition of equity-settled share-based payments *(note 25)*	–	–	13	10	–	–	–	–	–	–	–	23	–	–	–	23
Issue of shares under scrip dividend scheme	1	68	–	–	–	–	–	–	–	–	–	69	–	–	–	69
Issue of shares under the share option scheme of the Company	–	3	(1)	–	–	–	–	–	–	–	–	2	–	–	–	2
Dividend recognised as distribution *(note 10)*	–	–	–	–	–	–	–	–	–	–	(152)	(152)	–	–	–	(152)
Shares vested under the share award scheme of the Company	–	–	–	(13)	15	–	–	–	–	–	(2)	–	–	–	–	–
Lapse of vested share awards	–	–	–	(7)	–	–	–	–	–	–	7	–	–	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1
Non-controlling interests arising on disposal of partial interests in subsidiaries but does not result in losing control of subsidiaries *(Note)*	–	–	–	–	–	–	–	–	–	–	278	278	–	8	8	286
Other financial liabilities arising on disposal of partial interests in subsidiaries *(note 20(b))*	–	–	–	–	–	–	–	–	–	–	–	–	–	(59)	(59)	(59)
Release of other financial liabilities to non-controlling interests *(note 20(b))*	–	–	–	–	–	–	–	–	–	–	113	113	–	4	4	117
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(66)	(66)	(66)
Balance as at 30 September 2017 (unaudited)	306	3,598	218	23	(149)	41	–	38	1,402	219	10,464	16,160	–	1,357	1,357	17,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *– continued*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	Attributable to owners of the Company												Attributable to non-controlling interest			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Subtotal	Share award scheme reserve of a subsidiary	Share of net assets of subsidiaries	Subtotal	Total
Balance as at 31 March 2018 (audited)	306	3,599	223	–	(134)	26	–	38	1,483	920	12,146	18,607	17	2,005	2,022	20,629
Adjustments *(note 2)*	–	–	–	–	–	(26)	2,573	–	–	–	(62)	2,485	–	–	–	2,485
Balance as at 1 April 2018 (restated)	306	3,599	223	–	(134)	–	2,573	38	1,483	920	12,084	21,092	17	2,005	2,022	23,114
Profit for the period	–	–	–	–	–	–	–	–	–	–	250	250	–	98	98	348
Fair value loss on equity instruments at FVTOCI, net of tax	–	–	–	–	–	–	(263)	–	–	–	–	(263)	–	–	–	(263)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(8)	–	(8)	–	–	–	(8)
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	(1,930)	–	(1,930)	–	(154)	(154)	(2,084)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(263)	–	–	(1,938)	250	(1,951)	–	(56)	(56)	(2,007)
Recognition of equity-settled share-based payments *(note 25)*	–	–	4	14	–	–	–	–	–	–	–	18	19	–	19	37
Dividend recognised as distribution *(note 10)*	–	–	–	–	–	–	–	–	–	–	(275)	(275)	–	–	–	(275)
Shares vested under the share award scheme of the Company	–	–	–	(9)	9	–	–	–	–	–	–	–	–	73	73	73
Lapse of share option	–	–	(155)	–	–	–	–	–	–	–	155	–	–	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	93	93	93
Non-controlling interests arising on disposal of partial interests in subsidiaries but does not result in losing control of subsidiaries *(Note)*	–	–	–	–	–	–	–	–	–	–	4	4	–	3	3	7
Disposal of a subsidiary *(note 31)*	–	–	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)	(2)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(38)	(38)	(38)
Balance as at 30 September 2018 (unaudited)	306	3,599	72	5	(125)	–	2,310	38	1,483	(1,018)	12,218	18,888	36	2,077	2,113	21,001

Note: During the six months ended 30 September 2018, the Company disposed of partial interests in certain subsidiaries. This mainly includes a disposal of 20% interest of 深圳安時達電子服務有限公司 for a consideration of RMB6 million (equivalent to approximately HK$7 million). The difference between the consideration of HK$7 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$3 million, amounting to HK$4 million, is credited to accumulated profits.

During the six months ended 30 September 2017, the Company disposed of partial interests in certain subsidiaries. This mainly includes a disposal of 6.4% interest of Shenzhen Coocaa Network Technology Company Limited ("Shenzhen Coocaa") for a consideration of RMB250 million (equivalent to approximately HK$286 million). The difference between the consideration of HK$286 million and the net assets attributable to the interest disposed to the non-controlling shareholders of HK$8 million, amounting to HK$278 million, is credited to accumulated profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	NOTE	Six months ended 30 September 2018 (unaudited)	2017 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**1,174**	240
Increase in trade and bills receivables		**(1,395)**	(272)
Increase in other receivables, deposits and prepayments		**(835)**	(188)
Increase in trade and other payables		**256**	942
Decrease in bills payable		**(705)**	(421)
Other operating cash flows		**(615)**	477
		(2,120)	778
NET CASH (USED IN) FROM INVESTING ACTIVITIES			
Dividend received		**1**	17
Interest received		**61**	60
Deposit paid for biding of land use rights		**(537)**	–
Purchase of property, plant and equipment		**(547)**	(819)
Proceeds on disposal of property, plant and equipment		**94**	26
Purchase of intangible assets		**–**	(2)
Investments in debt securities		**(212)**	–
Proceeds on redemption of investments in debt securities upon maturity		**96**	735
Investments in equity instruments at FVTPL		**(133)**	–
Investments in financial assets at FVTPL		**(6)**	–
Proceeds on disposal of financial assets at FVTPL		**40**	–
Investments in available-for-sale investments		**–**	(411)
Proceeds on disposal of available-for-sale investments		**–**	920
Advances to staffs		**(92)**	(84)
Repayments from staffs		**88**	91
Government grant received related to assets		**–**	6
Placement of pledged bank deposits		**(279)**	(267)
Withdrawal of pledged bank deposits		**417**	290
Placement of restricted bank deposits		**(535)**	(514)
Withdrawal of restricted bank deposits		**641**	479
Proceeds on disposal of a joint venture		**20**	–
Net cash inflow from disposal of a subsidiary	*31*	**16**	10
		(867)	537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *– continued*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Amounts expressed in millions of Hong Kong dollars

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Dividend paid	**(331)**	(176)
Interest paid	**(285)**	(122)
Amounts received for restricted share incentive scheme	**18**	239
Issue of share through exercise of share options	**–**	2
Contributions from non-controlling interests	**20**	1
Acquisition of additional interests in subsidiaries	**(1)**	(1)
Proceeds from partial disposal of subsidiaries	**7**	286
New bank borrowings raised	**5,644**	3,294
Repayments of bank borrowings	**(6,576)**	(4,094)
New corporate bonds raised, net of transaction costs	**–**	2,330
	(1,504)	1,759
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,491)**	3,074
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	**9,095**	4,336
Effect of foreign exchange rate changes	**(371)**	393
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER, represented by bank balances and cash	**4,233**	7,803

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules on The Stock Exchange of Hong Kong Limited.

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 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 2018.

Change of financial year end date and presentation currency

The financial year end date of the Company will be changed from 31 March to 31 December to align with the financial year end date of the Company's principal operating subsidiaries established in the People's Republic of China (the "PRC") which accounts are statutorily required to be prepared with a financial year end date of 31 December. Starting from the annual consolidated financial statements for the nine-month periods ending 31 December 2018, the presentation currency for the consolidated financial statements of the Group will be changed from Hong Kong Dollar to Renminbi considered that (i) most of the Group's transactions are denominated and settled in Renminbi; and (ii) the change in the presentation currency will also reduce the impact of any fluctuations in the exchange rate of Hong Kong Dollar against Renminbi, which is unrelated to the operations of the Group and is beyond its control, on the consolidated financial statements of the Group. The condensed consolidated financial statements for the current period continue to cover the six-month period from 1 April 2018 to 30 September 2018 and presented in Hong Kong Dollar.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than described below and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the following major sources:

- manufacture and sales of television products;
- manufacture and sales of digital set-top boxes;
- manufacture and sales of liquid crystal display modules;
- manufacture and sales of white appliances;
- sales of properties; and
- manufacture and sales of lighting products, security system, air conditioning and other electronic products, etc.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from the sale of goods is recognised at a point in time when the customer obtains control of the distinct good, being at the point the goods are delivered and the titles have been passed.

Revenue from sale of properties is recognised when the customer obtains control of the respective properties, being at the point the respective properties have been completed and delivered to the customer.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") – *continued*

2.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's accumulated profits at 1 April 2018. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	HK$ million	*HK$ million*	*HK$ million*
Current liabilities			
Trade and other payables	12,533	(2,084)	10,449
Contract liabilities	–	2,084	2,084

Note: As at 1 April 2018, deposits received for sales of goods and deposits received for sales of properties of HK$933 million and HK$1,151 million respectively previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$ million	*HK$ million*	*HK$ million*
Trade and other payables	10,373	1,394	11,767
Contract liabilities	1,394	(1,394)	–

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and lease receivables and 3) general hedge accounting.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") – *continued*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: *Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

<u>Equity instruments designated as at FVTOCI</u>

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Classification and measurement of financial assets – *continued*

Equity instruments designated as at FVTOCI – *continued*

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, loan receivables, amounts due from associates and joint ventures, pledged bank deposits, restricted bank deposits, bank balances and cash, and investments in debt securities) and lease receivables. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – *continued*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of reporting period. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – *continued*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables and loan receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and lease receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL with impact under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Available-for-sale investments *HK$ million*	Held-for-trading investments *HK$ million*	Financial assets at FVTPL *HK$ million*	Equity instruments at FVTPL *HK$ million*	Equity instruments at FVTOCI *HK$ million*	Trade receivables *HK$ million*	Loan receivables *HK$ million*	Finance lease receivables *HK$ million*	Deferred tax assets *HK$ million*	Investment revaluation reserve *HK$ million*	FVTOCI reserve *HK$ million*	Deferred tax liabilities *HK$ million*	Accumulated profits *HK$ million*
Closing balance at 31 March 2018 – HKAS 39		1,542	40	–	–	–	8,723	3,336	173	496	26	–	192	12,146
Effect arising from initial application of HKFRS 9:														
Reclassification														
From available-for-sale investments	*(a)*	(1,542)	–	110	399	1,033	–	–	–	–	(26)	–	–	26
From held for trading investments	*(b)*	–	(40)	40	–	–	–	–	–	–	–	–	–	–
Remeasurement														
Impairment under ECL model	*(c)*	–	–	–	–	–	(33)	(139)	(1)	36	–	–	–	(137)
From cost less impairment to fair value	*(a)*	–	–	–	59	3,027	–	–	–	13	–	2,573	477	49
Opening balance at 1 April 2018 – HKFRS 9		–	–	150	458	4,060	8,690	3,197	172	545	–	2,573	669	12,084

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") – *continued*

2.2.2 Summary of effects arising from initial application of HKFRS 9 – continued

Notes:

(a) Available-for-sale investments

From available-for-sale investments to equity instruments at FVTOCI

The Group elected to present in OCI (rather than in profit or loss) for the fair value changes of certain unlisted equity securities previously classified as available-for-sale investments of HK$1,033 million related to unquoted equity investments previously measured at cost less impairment under HKAS 39 in view that these investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$1,033 million were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of HK$3,027 million relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve (net of corresponding tax effect of HK$454 million) as at 1 April 2018.

From available-for-sale investments to equity instruments at FVTPL

At the date of initial application of HKFRS 9, the remaining of the Group's listed equity securities, unlisted equity securities and unlisted investment fund of HK$78 million, HK$321 million and HK$110 million respectively were reclassified from available-for-sale investments to equity instruments at FVTPL and financial assets at FVTPL of HK$458 million and HK$110 million respectively. The fair value gains of HK$59 million relating to those equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTPL (net of corresponding tax effect of HK$10 million) and accumulated profits as at 1 April 2018. The fair value gains of HK$26 million relating to those investments previously carried at fair value were transferred from FVTOCI reserve to accumulated profits.

(b) Financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's unlisted investment fund held for trading of HK$40 million which are required to be classified as FVTPL and there was no impact on the amount recognised.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and bills receivables and lease receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, loan receivables, amounts due from associates and joint ventures, pledged bank deposits, restricted bank deposit, bank balances and cash and investments in debt securities are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance on trade receivables, loan receivables and finance lease receivables of HK$33 million, HK$139 million and HK$1 million respectively, net of corresponding tax effect of HK$36 million, have been recognised against accumulated profits. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets including trade receivables and loan receivables at amortised cost, as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Trade receivables *HK$ million*	Loan receivables *HK$ million*
At 31 March 2018 – HKAS 39	217	122
Additional credit loss allowance:		
Amounts remeasured through opening accumulated profits	33	139
At 1 April 2018 – HKFRS 9	250	261

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 *HK$ million* (audited)	HKFRS 15 *HK$ million*	HKFRS 9 *HK$ million*	1 April 2018 *HK$ million* (restated)
Non-current Assets				
Available-for-sale investments	1,440	–	(1,440)	–
Equity instruments at FVTPL	–	–	458	458
Equity instruments at FVTOCI	–	–	4,060	4,060
Loan receivables	2	–	–	2
Deferred tax assets	496	–	49	545
Others with no adjustments	11,953	–	–	11,953
	13,891	–	3,127	17,018
Current Assets				
Trade and bills receivables	15,482	–	(33)	15,449
Available-for-sale investments	102	–	(102)	–
Held-for-trading investments	40	–	(40)	–
Financial assets at FVTPL	–	–	150	150
Loan receivables	3,334	–	(139)	3,195
Finance lease receivables	173	–	(1)	172
Others with no adjustments	20,719	–	–	20,719
	39,850	–	(165)	39,685
Current Liabilities				
Trade and other payables	12,533	(2,084)	–	10,449
Contract liabilities	–	2,084	–	2,084
Others with no adjustments	15,183	–	–	15,183
	27,716	–	–	27,716
Net Current Assets	12,134	–	(165)	11,969
Total Assets less Current Liabilities	26,025	–	2,962	28,987

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs and an interpretation – *continued*

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards – continued

	31 March 2018 *HK$ million* (audited)	HKFRS 15 *HK$ million*	HKFRS 9 *HK$ million*	1 April 2018 *HK$ million* (restated)
Non-current Liabilities				
Deferred tax liabilities	192	–	477	669
Others with no adjustments	5,204	–	–	5,204
	5,396	–	477	5,873
NET ASSETS	20,629	–	2,485	23,114
Capital and Reserves				
Investment revaluation reserve	26	–	(26)	–
FVTOCI reserve	–	–	2,573	2,573
Accumulated profits	12,146	–	(62)	12,084
Others with no adjustments	8,457	–	–	8,457
	20,629	–	2,485	23,114

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. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Manufacture and sales of televisions ("TV") products	**12,849**	14,584
Manufacture and sales of digital set-top boxes	**3,602**	3,323
Manufacture and sales of liquid crystal display ("LCD") modules	**450**	511
Manufacture and sales of white appliances	**1,587**	1,278
Sales of properties	**725**	19
Others	**2,647**	1,528
Sales of goods	**21,860**	21,243
Rental	**213**	155
Interest	**179**	91
	22,252	21,489

Disaggregation of revenue

For the six months ended 30 September 2018 (unaudited)

	TV products (PRC market) *HK$ million*	TV products (Overseas market) *HK$ million*	Digital set-top boxes and LCD modules *HK$ million*	White appliances *HK$ million*	Property holding *HK$ million*	Others *HK$ million*	Total *HK$ million*
Type of goods							
Manufacture and sales of TV	8,450	4,399	–	–	–	–	12,849
Manufacture and sales of digital set-top boxes	–	–	3,602	–	–	–	3,602
Manufacture and sales of LCD	–	–	450	–	–	–	450
Manufacture and sales of white appliances	–	–	–	1,587	–	–	1,587
Sales of properties	–	–	–	–	–	725	725
Others	–	–	–	–	–	2,647	2,647
Sales of goods	8,450	4,399	4,052	1,587	–	3,372	21,860
Rental	–	–	–	–	213	–	213
Interest	–	–	–	–	–	179	179
Segment revenue	8,450	4,399	4,052	1,587	213	3,551	22,252

Revenue from property rental income continues to be accounted for in accordance with HKAS 17 *Leases*. The remaining revenue continues to be recognised at a point in time under HKFRS 15.

4. SEGMENT INFORMATION

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

For the six months ended 30 September 2018 (unaudited)

	TV products (PRC market) *HK$ million*	TV products (Overseas market) *HK$ million*	Digital set-top boxes and LCD modules *HK$ million*	White appliances *HK$ million*	Property holding *HK$ million*	Others *HK$ million*	Eliminations *HK$ million*	Total *HK$ million*
Revenue								
Segment revenue from external customers	8,450	4,399	4,052	1,587	213	3,551	–	22,252
Inter-segment revenue	96	2	14	72	108	1,976	(2,268)	–
Total segment revenue	8,546	4,401	4,066	1,659	321	5,527	(2,268)	22,252
Results								
Segment results	(106)	145	166	49	109	388	–	751
Interest income								72
Unallocated corporate expenses less income								(144)
Finance costs								(241)
Share of results of associates								6
Condensed consolidated profit before taxation of the Group								444

For the six months ended 30 September 2017 (unaudited)

	TV products (PRC market) *HK$ million*	TV products (Overseas market) *HK$ million*	Digital set-top boxes and LCD modules *HK$ million*	White appliances *HK$ million*	Property holding *HK$ million*	Others *HK$ million*	Eliminations *HK$ million*	Total *HK$ million*
Revenue								
Segment revenue from external customers	8,764	5,820	3,834	1,278	155	1,638	–	21,489
Inter-segment revenue	22	24	14	33	22	1,153	(1,268)	–
Total segment revenue	8,786	5,844	3,848	1,311	177	2,791	(1,268)	21,489
Results								
Segment results	(150)	29	29	10	91	32	–	41
Interest income								103
Unallocated corporate expenses less income								(155)
Finance costs								(141)
Share of results of associates								2
Share of results of joint ventures								3
Condensed consolidated loss before taxation of the Group								(147)

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

Inter-segment revenue is charged at prevailing market rates.

5. OTHER GAINS AND LOSSES AND IMPAIRMENT LOSS RECOGNISED IN RESPECT OF FINANCIAL ASSETS

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Other gains and losses comprise of:		
Exchange gain (loss), net	**60**	(242)
Gain from changes in fair value of derivative financial instruments	**18**	1
Gain on disposal of a joint venture	**1**	–
Loss on disposal of a subsidiary *(note 31)*	**(36)**	–
Loss from changes in fair value of equity instruments at FVTPL	**(15)**	–
Loss from changes in fair value of financial assets at FVTPL	**(18)**	–
(Loss) gain on disposal of property, plant and equipment	**(5)**	4
Impairment loss recognised in respect of assets classified as held for sale	**(12)**	–
	(7)	(237)

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Impairment loss recognised in respect of financial assets comprise of:		
Impairment loss recognised in respect of trade receivables	**(53)**	(8)
Impairment loss recognised in respect of loan receivables	**(13)**	(3)
	(66)	(11)

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Interest on amounts due to associates	**6**	8
Interest on corporate bonds	**66**	5
Interest on borrowings	**162**	122
Imputed interest expense on other financial liabilities *(note 20(b))*	**7**	6
	241	141

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
The charge (credit) comprises:		
PRC income tax		
Current period	**249**	107
Hong Kong Profits Tax		
Overprovision in prior periods	**–**	(1)
Taxation arising in other jurisdictions		
Current period	**1**	9
Overprovision in prior periods	**(3)**	–
	(2)	9
	247	115
Deferred taxation	**(151)**	(73)
	96	42

Hong Kong Profit Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime are applied to the subsidiaries subjected to Hong Kong Profit Tax for the six months ended 30 September 2018.

PRC EIT is calculated at the prevailing PRC tax rates on the estimated assessable profits for both periods. Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% 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%.

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

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**17,619**	18,037
Cost of stock of properties recognised as an expense	**550**	12
Depreciation of property, plant and equipment	**380**	329
Less: capitalised as cost of inventories	**(114)**	(148)
	266	181
Dividend income from unlisted investments	**1**	17
Government grants		
– related to assets	**–**	(6)
– related to expense items	**(8)**	(139)
	(8)	(145)
Interest income included in revenue		
– loan receivables	**(155)**	(48)
– finance lease receivables	**(24)**	(43)
	(179)	(91)
Interest income included in other income		
– available-for-sale investments	**–**	(7)
– bank deposits	**(32)**	(20)
– investments in debt securities	**–**	(33)
– other loan receivables	**(40)**	(43)
	(72)	(103)
Release of prepaid lease payments on land use rights	**40**	7
Rental income from leasing of properties less related outgoings of HK$71 million (for the six months ended 30 September 2017: HK$54 million)	**(142)**	(101)
Research costs recognised as an expense		
– included in general and administrative expense	**971**	800
Staff costs, including directors' emoluments	**2,007**	1,889
Less: capitalised as cost of inventories	**(524)**	(512)
	1,483	1,377
Value-added-tax ("VAT") refund	**(67)**	(122)

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Earnings (loss) for the period attributable to owners of the Company	**250**	(192)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,031,669,215**	3,007,403,969
Effect of dilutive potential ordinary shares in respect of share awards outstanding	**790,520**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,032,459,735**	3,007,403,969

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.

There is no significant effect on the Group's dilutive earnings per share for the six months ended 30 September 2018 arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange.

The computation of diluted earnings per share for the six months ended 30 September 2018 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.

The computation of diluted loss per share for the six months ended 30 September 2017 did not assume the conversion of the Company's outstanding share options and share awards since their assumed exercise would result in a decrease in loss per share for that period.

10. DIVIDENDS

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2018 Final dividend – HK9.0 cents (for the six months ended 30 September 2017: 2017 Final dividend – HK5.0 cents) per share	**275**	153
Less: Dividends for shares held by share award scheme *(note 25(ii))*	**–**	(1)
	275	152

The final dividend for the year ended 31 March 2018 of HK9.0 cents per share, amounting to HK$275 million in total, was recognised as distribution upon approval by the shareholders in the Company's annual general meeting held on 2 August 2018.

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 September 2018 to the shareholders of the Company.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group had incurred approximately HK$272 million (for the six months ended 30 September 2017: approximately HK$513 million) in construction in progress, mainly for the development of factory buildings and office premises situated on land in the PRC, spent approximately HK$294 million (for the six months ended 30 September 2017: approximately HK$251 million) on the acquisition of other property, plant and equipment for business operations and expansion and reclassified property and plant located in Indonesia with carrying amount of HK$67 million as assets held for sale.

12. MOVEMENTS IN AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INSTRUMENTS AT FVTOCI/EQUITY INSTRUMENTS AT FVTPL

As mentioned in note 2, on 1 April 2018, available-for-sale investments has been reclassified to equity instruments at FVTOCI and equity instruments at FVTPL in accordance with HKFRS 9.

During the six months ended 30 September 2018, the Group invested HK$194 million (for the six months ended 30 September 2017: HK$190 million) in certain unlisted equity securities at FVTPL in the PRC. During the six months ended 30 September 2017, the Group also invested HK$221 million in certain unlisted investment fund in Hong Kong.

13. LOAN RECEIVABLES

As at 30 September 2018, the Group had granted loans of an aggregate principal amount of RMB2,641 million (equivalent to HK$3,008 million) (as at 31 March 2018: RMB2,675 million (equivalent to HK$3,336 million)) to external borrowers. The loan receivables are interest bearing at fixed rate ranging from 4.3% to 11.5% per annum (as at 31 March 2018: 4.85% to 10.0% per annum).

Included in the carrying amount of loan receivables as at 30 September 2018 is an amount of RMB499.5 million (equivalent to approximately HK$569 million) (as at 31 March 2018: RMB499.5 million (equivalent to approximately HK$623 million)) due from a related party controlled by a substantial shareholder of the Company which is secured, interest bearing at 8% (as at 31 March 2018: 8%) per annum and repayable within one year from the end of the reporting period.

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

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
Fixed-rate loan receivables:		
Within one year	**2,944**	3,334
In more than one year but not more than two years	**64**	2
	3,008	3,336

Allowance for impairment

The movement in the allowance for impairment in respect of loan receivables during the current period as follows:

	HK$ million
Balance at a 1 April 2018*	261
Impairment loss recognised in respect of loan receivables	13
Exchange realignment	(48)
Balance at 30 September 2018	226

* The Group has initially applied HKFRS 9 at 1 April 2018 with additional credit loss allowance of HK$139 million recognised against accumulated profits. Under the transition method chosen, comparative information is not restated.

14. MOVEMENTS IN INVESTMENTS IN DEBT SECURITIES

During the six months ended 30 September 2018, the Group invested HK$212 million (for the six months ended 30 September 2017: nil) in certain debt securities in the PRC and redeemed HK$96 million (for the six months ended 30 September 2017: HK$735 million) upon maturity.

15. TRADE AND BILLS RECEIVABLES

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.

Export sales of the Group are mainly by letters of credit with credit term ranging from 30 to 90 days.

Included in trade receivables is operating lease receivables of HK$53 million (as at 31 March 2018: HK$39 million) which is aged within 30 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:

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
Within 30 days	**4,295**	3,150
31 to 60 days	**1,499**	1,525
61 to 90 days	**925**	1,062
91 to 365 days	**2,634**	2,526
366 days or over	**543**	469
Trade receivables	**9,896**	8,732
Bills receivables	**5,565**	6,750
	15,461	15,482

15. TRADE AND BILLS RECEIVABLES – *continued*

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the current period as follows:

	HK$ million
Balance at a 1 April 2018*	250
Impairment loss recognised in respect of trade receivables	53
Amounts uncollectible written off	(177)
Exchange realignment	(18)
Balance at 30 September 2018	108

* The Group has initially applied HKFRS 9 at 1 April 2018 with additional credit loss allowance of HK$33 million recognised against accumulated profits. Under the transition method chosen, comparative information is not restated.

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

	As at 30 September 2018 *HK$ million* (unaudited)	As at 31 March 2018 *HK$ million* (audited)
Within 30 days	**884**	952
31 to 60 days	**571**	1,280
61 to 90 days	**1,241**	2,028
91 days or over	**2,432**	1,917
Bills discounted to banks with recourse	**437**	573
	5,565	6,750

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 receivables 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 receivables at the end of the reporting period are not yet due.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are analysed as follows:

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
Deposit paid for biding of land use rights	**537**	–
Other deposits paid and prepayments	**560**	569
Other receivables	**777**	820
Purchase deposits paid for materials	**811**	394
Receivables for disposal of a subsidiary	**8**	–
Rental deposits paid	**11**	16
VAT receivables	**787**	599
	3,491	2,398

17. FINANCE LEASE RECEIVABLES

As at 30 September 2018, the Group entered finance lease contracts with principal amount of RMB133 million (equivalent to approximately HK$151 million) (as at 31 March 2018: RMB141 million (equivalent to approximately HK$173 million)). All interest rate inherent in the lease are fixed at the contract date over the lease terms.

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
Analysed as:		
Current	**151**	173

17. FINANCE LEASE RECEIVABLES – *continued*

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 September 2018	As at 31 March 2018	**As at 30 September 2018**	As at 31 March 2018
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Finance lease receivables comprise:				
Within one year	**151**	176	**151**	173
Less: Unearned finance income	**–**	(3)	**N/A**	N/A
Present value of minimum lease payment receivables	**151**	173*	**151**	173*

* The Group has initially applied HKFRS 9 at 1 April 2018 with additional impairment of HK$1 million recognised against accumulated profits. Under the transition method chosen, comparative information is not restated.

Effective interest rate of the above finance lease is 7.60% (as at 31 March 2018: 9.19%) 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.

18. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent reserve deposits placed by a finance company of the Group to the People's Bank of China ("PBOC"). 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 PBOC 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. ASSETS CLASSIFIED AS HELD FOR SALE

During the six months ended 30 September 2018, the Group has reclassified part of the prepaid lease payment on land use rights and property and plant located in Indonesia with carrying amounts of HK$60 million and HK$67 million respectively as assets held for sale which are separately presented in the condensed consolidated statement of financial position as the transaction is expected to be completed within twelve months. The management considers the sale is highly probable as the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset.

The sales proceeds are expected to lower than the net carrying amount of the relevant assets and, accordingly, impairment loss of HK$12 million has been recognised.

20. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES

(a) 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 2018 HK$ million (unaudited)	As at 31 March 2018 HK$ million (audited)
Within 30 days	**4,359**	3,108
31 to 60 days	**972**	1,454
61 to 90 days	**607**	1,032
91 days or over	**416**	228
Trade payables	**6,354**	5,822
Accruals and other payables	**1,188**	1,054
Accrued staff costs	**558**	701
Accrued selling and distribution expenses	**141**	189
Amounts received for restricted share incentive scheme of a subsidiary	**181**	254
Customer deposits *(Note)*	**84**	289
Deposits received for sales of goods	**–***	933
Deposits received for sales of properties	**–***	1,151
Interest payables on corporate bonds	**9**	74
Other deposits received	**672**	774
Payables for purchase of property, plant and equipment	**53**	57
Rental deposits received	**64**	59
Sales rebate payable	**960**	1,093
VAT payable	**109**	83
	10,373	12,533

Note: The customer deposits bear interest at 0.35% per annum (as at 31 March 2018: 0.35% per annum) which are repayable on demand. As at 30 September 2018, HK$34 million (as at 31 March 2018: HK$248 million) of the customer deposits is placed by the associate, 北京新七天電子商務技術股份有限公司 ("New Seven Days"), which bear interest at 0.35% per annum (as at 31 March 2018: 0.35% per annum) and is repayable on demand.

* As at 30 September 2018, deposits received for sales of goods and deposits received for sales of properties of HK$1,018 million and HK$376 million respectively are included in contract liabilities upon the application of HKFRS 15.

20. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES – *continued*

(b) Other financial liabilities

Movement in other financial liabilities is as follows:

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
At the beginning of the period/year	**202**	230
Arising on disposal of partial interest in a subsidiary	**–**	59
Imputed interest expenses for the period/year	**7**	14
Release of other financial liabilities to non-controlling interests	**–**	(117)
Exchange realignments	**(16)**	16
At the end of the period/year	**193**	202

During the year ended 31 March 2017, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), an indirect-wholly owned subsidiary of the Company, entered into an agreement with 北京愛奇藝科技有限公司 ("iQIYI"), a third party not connected to the Group, for a RMB150 million capital injection. Pursuant to the agreement, Shenzhen Coocaa, an indirect non-wholly owned subsidiary of the Company, received the first capital injection of RMB100 million (equivalent to approximately HK$112.5 million) from iQIYI on 2 December 2017. During the year ended 31 March 2018, Shenzhen Coocaa received the second capital injection of RMB50 million (equivalents to approximately HK$59 million) from iQIYI.

Based on the terms of the agreement, RGB and iQIYI agreed that if the shares of Shenzhen Coocaa are not listed on any stock exchange within 60 months after 2 December 2016, and the market value of Shenzhen Coocaa is less than RMB3 billion before listing, iQIYI can require RGB to transfer its investments in Shenzhen Coocaa to equivalent value of investments in Skyworth Digital, or require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum at the end of 60 months. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of HK$7 million (for the six months ended 30 September 2017: HK$5 million) has been recognised in respect of this financial liability during the six months ended 30 September 2018.

During the year ended 31 March 2017, RGB entered into another agreement with, a third party not connected to the Group ("Investor"). Pursuant to the agreement, Shenzhen Coocaa received capital injection of RMB100 million (equivalent to approximately HK$112.5 million) from Investor on 23 January 2017.

20. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES – *continued*

(b) Other financial liabilities – *continued*

Based on the terms of the agreement, RGB and Investor agreed that if Shenzhen Coocaa cannot meet the sales target as stated in the cooperation agreement signed between Shenzhen Coocaa and an affiliate of Investor on 13 January 2017 ("FY2017 Cooperation Agreement"), Investor can require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum. As the Group cannot unconditionally avoid the delivery of cash to fulfil the contractual obligations, the capital injection received is recognised as a financial liability as at 31 March 2017. No imputed interest expense (for the six months ended 30 September 2017: HK$1 million) has been recognised in respect of this financial liability for the current period.

During the year ended 31 March 2018, Shenzhen Coocaa received another capital injection of RMB200 million (equivalent to approximately HK$227 million) from Investor and signed another cooperation agreement with the same affiliate of the same Investor on 4 May 2017 ("FY2018 Cooperation Agreement") to revoke the FY2017 Cooperation Agreement and removed the terms on sales target as stated in the FY2017 Cooperation Agreement. The management is of the view that all the terms specified in the FY2018 Cooperation Agreement are under the Group's control and the Group can avoid the obligation to deliver cash or other financial instrument. Thereafter, the Group recognised a disposal of partial interest in Shenzhen Coocaa for the consideration of HK$227 million and the financial liabilities of HK$117 million to the Investor was released to non-controlling interests.

21. BILLS PAYABLE

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

	As at 30 September 2018 ***HK$ million*** **(unaudited)**	As at 31 March 2018 *HK$ million* (audited)
Within 30 days	**961**	1,147
31 to 60 days	**1,026**	1,325
61 to 90 days	**977**	1,472
91 days or over	**2,628**	2,849
	5,592	6,793

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

22. BORROWINGS

	As at 30 September 2018 HK$ million (unaudited)	As at 31 March 2018 HK$ million (audited)
Borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**437**	573
Other bank borrowings	**7,193**	8,749
	7,630	9,322
Secured	**1,409**	1,697
Unsecured	**6,221**	7,625
	7,630	9,322
Carrying amount of 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	**496**	391
More than one year but not exceeding two years	**–**	240
	496	631
Carrying amount of other borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**5,839**	7,296
More than one year but not more than two years	**349**	522
More than two years but not exceeding five years	**946**	870
Over five years	**–**	3
	7,134	8,691
	7,630	9,322
Less: Amounts due within one year shown under current liabilities	**(6,335)**	(7,687)
Amounts shown under non-current liabilities	**1,295**	1,635

23. CORPORATE BONDS

	As at 30 September 2018 *HK$ million* (unaudited)	As at 31 March 2018 *HK$ million* (audited)
At the beginning of the period/year	**2,481**	–
Corporate bonds issued, net of transaction cost	**–**	2,330
Interest on corporate bonds	**66**	74
Interest paid	**(123)**	–
Exchange realignment	**(148)**	151
Less: Included as interest payables	**(9)**	(74)
At the end of the period/year	**2,267**	2,481

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million (equivalent to approximately HK$2,347 million). The corporate bonds bear interest at 5.36% per annum and fall due on 14 September 2022. Pursuant to the terms of the subscription agreement of the corporate bonds, the Group has the right to adjust the coupon rate and the bond holders have the right to put the bond back to the Group after 14 September 2020. The management considers the fair value of these options are insignificant.

The corporate bonds are subsequently measured at amortised cost, using effective interest rate of 5.48% (as at 31 March 2018: 5.48%). As at 30 September 2018, the carrying amount of the corporate bonds was approximately HK$2,267 million (as at 31 March 2018: HK$2,481 million).

24. SHARE CAPITAL

	Number of shares		Share capital	
	1 April 2018 to 30 September 2018	1 April 2017 to 31 March 2018	**1 April 2018 to 30 September 2018**	1 April 2017 to 31 March 2018
			HK$ million	*HK$ million*
			(unaudited)	(audited)
Ordinary shares of HK$0.1 each:				
Authorised:				
At beginning and at end of the period/year	**10,000,000,000**	10,000,000,000	**1,000**	1,000
Issued and fully paid:				
At beginning of the period/year	**3,060,929,420**	3,042,157,405	**306**	305
Issue of shares upon exercise of share options	**–**	584,000	**–**	–
Issue of shares under scrip dividend scheme	**–**	18,188,015	**–**	1
At end of the period/year	**3,060,929,420**	3,060,929,420	**306**	306

25. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 Share-based Payments to account for its share options (Note (i)) and share awards (Note (ii)) and Skyworth Digital's share awards (Note (iii)). An amount of share-based payment expenses of HK$18 million (for the six months ended 30 September 2017: HK$23 million) in respect of the Company's share options has been recognised in the profit or loss in the current period.

Note (i): Share options of the Company

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

	1 April 2018 to 30 September 2018		1 April 2017 to 31 March 2018	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at the beginning of the period/year	**142,576,500**	**4.460**	141,160,500	4.463
Granted during the period/year	**–**	**–**	2,000,000	4.090
Exercised during the period/year	**–**	**–**	(584,000)	3.983
Lapsed/cancelled during the period	**(72,878,500)**	**4.400**	–	–
Outstanding at the end of the period/year	**69,698,000**	**4.529**	142,576,500	4.460

25. SHARE-BASED PAYMENTS – *continued*

Note (i): Share options of the Company – *continued*

Share options expenses charge to profit or loss are based on valuation determined using the Black-Scholes Model. Share options granted in the year ended 31 March 2018 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
9 August 2017	500,000	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	1.2406	620,303	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	1.2819	640,966	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	1.3172	658,598	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	1.3471	673,553	4.08	4.09	58.42	3.77	1.5	0.75
	2,000,000				2,593,420						

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$4 million for the period (for the six months ended 30 September 2017: HK$13 million) in relation to share options granted by the Company.

Note (ii): Share awards of the Company

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 2018, 10,060,000 (for the six months ended 30 September 2017: nil) shares in the Company have been awarded to certain directors and employees of the Company at no consideration.

Besides, a total of 2,400,000 (for the six months ended 30 September 2017: 3,753,000) awarded shares were vested on 31 July 2018.

Vesting dates	Outstanding at 1 April 2017	Movement during the year Allotted	Lapsed	Outstanding at 31 March 2018	Movement during the period Awarded	Allotted	Lapsed	Outstanding at 30 September 2018
31 August 2017	8,476,000	(3,753,000)	(4,723,000)	–	–	–	–	–
31 December 2017	3,968,000	(3,490,000)	(478,000)	–	–	–	–	–
31 July 2018	–	–	–	–	2,400,000	(2,400,000)	–	–
30 April 2019	–	–	–	–	3,830,000	–	(400,000)	3,430,000
30 April 2020	–	–	–	–	3,830,000	–	(400,000)	3,430,000
	12,444,000	(7,243,000)	(5,201,000)	–	10,060,000	(2,400,000)	(800,000)	6,860,000
Weighted average fair value	HK$4.19	HK$4.41	HK$3.53	–	HK$3.63	HK$3.63	HK$3.63	HK$3.63

25. SHARE-BASED PAYMENTS – *continued*

Note (ii): Share awards of the Company – *continued*

During both periods ended 30 September 2018 and 2017, no share of the Company was acquired for this scheme. As at 30 September 2018, there are 27,664,000 shares (as at 31 March 2018: 30,064,000 shares) held for such scheme with carrying amount of HK$125 million (as at 31 March 2018: HK$134 million) accumulated in equity under the heading of "shares held for share award scheme".

The total fair value of the awarded shares determined at the date of grant was HK$37 million (for the six months ended 30 September 2017: nil). The fair value of the awarded shares granted on 3 July 2018 was determined by reference to the closing share price of the Company at date of grant, which was HK$3.63 per share.

The Group recognised in the total expense of HK$14 million for the period (for the six months ended 30 September 2017: HK$10 million) in relation to share awards granted by the Company.

Note (iii): Restricted share incentive scheme of Skyworth Digital

The restricted share inventive scheme was approved and adopted by the shareholders of Skyworth Digital at the special general meeting held on 31 August 2017. The restricted share incentive scheme is valid and effective for a period of 4 years commencing from 31 August 2017.

During the six months ended 30 September 2018, a total of 4,608,000 shares of Skyworth Digital have been awarded to certain directors and employees of Skyworth Digital at RMB4.66 per share with a vesting period of 1 year, 2 years or 3 years with dividend entitlement during the vesting period.

Vesting dates	Outstanding 1 April 2017	Movement during the year Awarded	Outstanding at 31 March 2018	Movement during the period Awarded	Movement during the period Lapsed	Outstanding at 30 September 2018
3 September 2018	–	10,911,900	10,911,900	–	(310,500)	10,601,400
3 September 2019	–	10,911,900	10,911,900	–	(310,500)	10,601,400
3 September 2020	–	14,549,200	14,549,200	–	(414,000)	14,135,200
11 June 2019	–	–	–	2,304,000	–	2,304,000
11 June 2020	–	–	–	2,304,000	–	2,304,000
	–	36,373,000	36,373,000	4,608,000	(1,035,000)	39,946,000
Weighted average fair value	–	RMB1.12	RMB1.12	RMB2.53	RMB1.14	RMB1.30

The total fair value of the restricted shares granted by Skyworth Digital determined at the date of grant was RMB11 million (equivalent to approximately HK$13 million). During the six months ended 30 September 2018, the Group recognised total expense of HK$19 million (for the six months ended 30 September 2017: nil) in related to restricted share incentive scheme of Skyworth Digital.

The fair value of restricted shares granted are based on valuation determined by reference to the closing share price of the Company at date of grant, which was RMB9.65 per share and adjusted for the exercise price.

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 September 2018 HK$ million (unaudited)	31 March 2018 HK$ million (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets:				
Listed equity securities	–	78	Level 1	Quoted bid prices in an active market
Unlisted investment fund	–	110	Level 3 *(Note (a))*	Discounted cash flow
	–	188		Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counter parties.
Held-for-trading financial assets:				
Unlisted investment fund	–	40	Level 3 *(Note (a))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.

26. 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 30 September 2018 HK$ million (unaudited)	Fair value as at 31 March 2018 HK$ million (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL				
Unlisted investment fund	**96**	–	Level 3 *(Note (a))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Equity instruments at FVTPL				
Listed equity securities	**55**	–	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**472**	–	Level 3 *(Note (b))*	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
	527	–		
Equity instruments at FVOCI				
Unlisted equity securities	**3,432**	–	Level 3 *(Note (b))*	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.

26. 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 30 September 2018 HK$ million (unaudited)	Fair value as at 31 March 2018 HK$ million (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments:				
Foreign currency forward contract	**6**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contract	**–**	(3)	Level 2	Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable forward 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.
	6	(3)		

Notes:

(a) A slight increase in the expected yield would result in a significant increase in the fair value measurement of the unlisted investment fund, and vice versa. A 5% increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment fund by HK$4 million (31 March 2018: HK$7 million).

(b) A slight decrease in discount rate on discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities, and vice versa. A 5% decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities by HK$108 million (31 March 2018: nil).

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities at FVTPL *HK$ million*	Unlisted equity securities at FVTOCI *HK$ million*	Unlisted investment fund at FVTPL *HK$ million*
At 1 April 2017	–	–	1,063
Investments	–	–	280
Disposal	–	–	(800)
Exchange realignment	–	–	(27)
At 30 September 2017	–	–	516
At 31 March 2018 – HKAS 39	–	–	150
Transfers into of Level 3 upon application of HKFRS 9	321	1,033	–
Remeasurement from cost less impairment to fair value	59	3,027	–
At 1 April 2018 – HKFRS 9	380	4,060	150
Loss from changes in fair value of equity instruments at FVTPL	–	–	(18)
Fair value loss on investments in equity instruments at FVTOCI	–	(263)	–
Investments	133	–	6
Disposal	(1)	–	(40)
Exchange realignment	(40)	(365)	(2)
At 30 September 2018	472	3,432	96

Except for the changes upon the application of HKFRS 9 at 1 April 2018, there is no transfer between different levels of the fair value hierarchy for both periods ended 30 September 2018 and 2017.

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

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

Reconciliation of Level 3 fair value measurements of financial assets – *continued*

The total gains or losses for the period included an unrealised gain of HK$18 million (for the six months ended 30 September 2017: nil) relating to unlisted investment fund of HK$96 million at the end of reporting period. Such fair value gains or losses are included in "other gains and losses".

All gains and losses included in other comprehensive income relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "FVTOCI reserve".

Fair value measurements and valuation processes

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

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.

27. PLEDGE OF ASSETS

As at 30 September 2018, the Group's borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and properties with carrying values of HK$19 million (as at 31 March 2018: HK$21 million) and HK$263 million (as at 31 March 2018: HK$303 million) respectively;

(b) pledged bank deposits of HK$256 million (as at 31 March 2018: HK$417 million);

(c) trade receivable of HK$23 million (as at 31 March 2018: HK$32 million); and

(d) bills receivables of HK$437 million (as at 31 March 2018: HK$573 million).

In addition, the Group's corporate bonds are secured by the equity interest of a subsidiary.

28. CAPITAL COMMITMENTS

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

	As at 30 September 2018 *HK$ million* (unaudited)	As at 31 March 2018 *HK$ million* (audited)
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**179**	235
Factory buildings and office premises under development	**263**	286
	442	521

29. CONTINGENT LIABILITIES

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

30. RELATED PARTY TRANSACTIONS

Trading transactions

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

	Six months ended 30 September	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Joint ventures		
Advertising and promotional expenses paid	**–**	2
Repair and maintenance service fee income	**2**	1
Sales of finished goods	**1**	1
Associates		
Advertising and promotional expenses paid	**–**	2
Interest paid	**1**	8
Repair and maintenance service fee paid	**1**	–
Sales of finished goods	**602**	584
Related parties		
Interest income from loan receivables from a related party *(Note)*	**24**	–
Consultancy fee paid to a substantial shareholder of the Company	**2**	2

Note: The related party is controlled by a substantial shareholder of the Company.

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	
	2018	2017
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Short-term benefits	**15**	16
Share-based payments	**9**	10
	24	26

The remuneration of directors and other key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

31. DISPOSAL OF A SUBSIDIARY

On 11 June 2018, the Group disposed 94% equity interest in a non-wholly owned subsidiary, 遂寧錦華紡織有限公司 ("Suining"), which engaged in spinning, weaving, manufacture and sales of textiles.

	HK$ million
Consideration received	27
Consideration receivables due within one year	8
	35

The assets and liabilities over which control was lost at the date of disposal are as follow:

	HK$ million
Non-current Assets	
Property, plant and equipment	73
Prepaid lease payments on land use rights	85
Equity investments at FVTPL	1
	159
Current Assets	
Inventories	28
Prepaid lease payments on land use rights	3
Trade and bills receivables	56
Bank balances and cash	19
	106
Current Liabilities	
Trade and other payables	(36)
Borrowings	(191)
	(227)
Non-current Liability	
Deferred income	(10)
	28

31. DISPOSAL OF A SUBSIDIARY – *continued*

The loss on disposal of a subsidiary arising on the disposal is as follows:

	HK$ million
Consideration	35
Less: Net assets disposed of	(28)
Less: Derecognised goodwill	(45)
Add: Non-controlling interests	2
Loss on disposal of Suining	(36)

Net cash inflow arising on the disposal is as follows:

	HK$ million
Cash consideration received	27
Add: Consideration receivable	8
Less: Bank balances and cash disposed	(19)
Net cash inflow for the period	16

32. COMPARATIVE FIGURES

In order to conform with current period's presentation, comparative figures of trade receivables of HK$8,732 million, other receivables, deposits and prepayments of HK$2,398 million and bills receivable of HK$6,750 million previously included in the "trade and other receivables, deposits and prepayments" and "bills receivable" line items are recategorised into "trade and bills receivables" and "other receivables, deposits and prepayments" on the condensed consolidated statement of financial position as at 31 March 2018.

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 14 to 60, which comprise the condensed consolidated statement of financial position as of 30 September 2018 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

27 November 2018

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Current Period were reviewed by the audit committee of the Company ("Audit Committee") and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

INTERIM DIVIDEND

Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of an interim dividend for the Current Period (for the six months ended 30 September 2017: Nil).

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 30 September 2018, 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 Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares of the Company

As at 30 September 2018, 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
Lai Weide	Beneficial owner		1,500,000	0.05%
Lin Wei Ping	Beneficial owner		9,160,382	0.30%
	Held by spouse	*(Note a and b)*	1,218,656,799	39.81%
		(Note a and c)	1,227,817,181	40.11%
Liu Tangzhi	Beneficial owner		5,884,675	0.19%
Shi Chi	Beneficial owner		5,184,825	0.17%
	Held by spouse		4,146,466	0.13%
			9,331,291	0.30%
Lin Jin *(Appointed with effect from 1 April 2018)*	Beneficial owner		3,898,719	0.13%
Li Weibin	Beneficial owner		1,000,000	0.03%

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

(a) Shares of the Company – *continued*

Notes:

(a) 37,300,000 shares of the Company are held by Mr. Wong Wang Sang, Stephen and 1,181,356,799 shares of the Company are held by Target Success Group (PTC) Limited ("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 interested and deemed to be interested in 1,218,656,799 shares.

(b) Ms. Lin Wei Ping is interested in 1,227,817,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,218,656,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,227,817,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

(b) Shares of the association corporation – Skyworth Digital Co., Ltd.

Name of director	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner *(Note)*	1,000,000	0.09%
Liu Tangzhi	Beneficial owner *(Note)*	800,000	0.07%
Shi Chi	Beneficial owner	36,770,524	3.42%
	Held by spouse	6,507,500	0.61%
		43,278,024	4.03%

Note: These shares are restricted shares granted under the restricted share incentive scheme of Skyworth Digital Co., Ltd., which is a 57.19% owned subsidiary of the Company, (the "Restricted Share Incentive Scheme"), which are subject to lock-up restrictions under the terms and conditions of the Restricted Share Incentive Scheme. The restricted shares will be released from the lock-up restriction in 3 batches in accordance with the release schedule under the Restricted Share Incentive Scheme, conditional upon the fulfillment of performance targets specified thereunder. Details of the Restricted Share Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.cninfo.com.cn/). During the Current Period, none of the restricted shares of Mr. Lai Weide and Mr. Liu Tangzhi were lapsed/cancelled.

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

(c) Share options of the Company

As at 30 September 2018, a Director 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	Beneficial owner	10,000,000
Total		**10,000,000**

(d) Awarded shares of the Company

As at 30 September 2018, 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
Lai Weide	Beneficial owner	2,000,000
Liu Tangzhi	Beneficial owner	2,000,000
Total		**4,000,000**

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 September 2018, 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 Current Period.

Save as disclosed above, at no time during the Current 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 Current Period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that 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
Long positions			
Target Success Group (PTC) Limited	Trustee *(Note a)*	1,181,356,799	38.59%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.22%
	Held by spouse *(Note b)*	9,160,382	0.30%
	Interest of controlled corporation *(Note a)*	1,181,356,799	38.59%
		1,227,817,181	40.11%
Lin Wei Ping	Beneficial owner	9,160,382	0.30%
	Held by spouse *(Note c)*	1,218,656,799	39.81%
		1,227,817,181	40.11%

Notes:

(a) 1,181,356,799 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 1,181,356,799 shares.

(b) Ms. Lin Wei Ping is interested in 1,227,817,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,218,656,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,227,817,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

Save as disclosed above, as at 30 September 2018, 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 Company adopted two share option schemes, one approved and adopted at the annual general meeting held on 30 September 2008 ("2008 Share Option Scheme") and one approved and adopted at the annual general meeting held on 20 August 2014 ("2014 Share Option Scheme"). The 2008 Share Option Scheme had expired on 30 September 2018. The following tables show the movements in the Company's share options granted to the Directors and employees/consultants under the Company's share option schemes during the Current Period:

(a) Directors

Under 2008 Share Option Scheme

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding as at 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Directors:								
Shi Chi								
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	300,000	–	–	(300,000)	–
		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	300,000	–	–	(300,000)	–
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	–	–	(600,000)	–
Shi Chi								
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	–	–	–	–	–
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	(1,000,000)	–

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 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Directors: – *continued*								
Liu Tangzhi								
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)	–
Liu Tangzhi								
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 August 2018	1 September 2018 to 30 September 2018	750,000	–	–	(750,000)	–
Sub-total (Directors: 2008 Share Option Scheme)				**9,800,000**	**–**	**–**	**(9,800,000)**	**–**

SHARE OPTIONS – *continued*

(a) Directors – *continued*

Under 2014 Share Option Scheme

Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Directors:								
Lai Weide								
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
Liu Tangzhi								
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)	–
Sub-total (Directors: 2014 Share Option Scheme)				**20,000,000**	**–**	**–**	**(10,000,000)**	**10,000,000**
(a) Sub-total (Directors)				**29,800,000**	**–**	**–**	**(19,800,000)**	**10,000,000**

(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 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Employees and/or Consultants								
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	1,496,500	–	–	(1,496,500)	–
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	4,062,000	–	–	(4,062,000)	–
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	3,764,000	–	–	(3,764,000)	–
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	4,666,000	–	–	(4,666,000)	–
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	5,500,000	–	–	(5,500,000)	–
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	6,358,000	–	–	(6,358,000)	–

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 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Employees and/or Consultants – *continued*								
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*

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding as at 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Employees and/or Consultants – *continued*								
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)	–
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	–	–	–	–	–
		28 June 2013 to 31 August 2016	1 September 2016 to 30 September 2018	–	–	–	–	–
		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)	–
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	100,000	–	–	(100,000)	–
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	100,000	–	–	(100,000)	–
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	140,000	–	–	(140,000)	–
		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)	–

SHARE OPTIONS – *continued*

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

				Number of share options				
Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Outstanding as at 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Employees and/or Consultants – *continued*								
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)	–
9 September 2013	4.368	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)	–
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)	–
Sub-total (Employees and/or Consultants: 2008 Share Option Scheme)				**53,078,500**	**–**	**–**	**(53,078,500)**	**–**

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 1 April 2018	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2018
Employees and/or Consultants:								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,852,000	–	–	–	14,852,000
		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
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	–	–	500,000
Sub-total (Employees and/or Consultants: 2014 Share Option Scheme)				**59,698,000**	**–**	**–**	**–**	**59,698,000**
(b) Sub-total (Employees/Consultants)				**112,776,500**	**–**	**–**	**(53,078,500)**	**59,698,000**
Grand Total: (a) Directors + (b) Employees and/or Consultants				**142,576,500**	**–**	**–**	**(72,878,500)**	**69,698,000**

SHARE AWARD SCHEME

The Share Award Scheme was approved by the Board on 24 June 2014 (the "Share Award Scheme"). 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 Current Period, the Company did not purchase any shares of the Company from the market through an independent trustee. As at 30 September 2018, 27,664,601 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, 8,442,000 and 3,753,000 awarded shares were vested on 31 August 2015, 31 August 2016 and 31 August 2017 respectively.

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, 2,874,000 and 3,490,000 awarded shares were vested on 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

Third batch: Awarded shares granted on 12 June 2018

On 12 June 2018, a total of 10,060,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,400,000 awarded shares were vested on 31 July 2018 and the remaining awarded shares will be vested on 30 April 2019 and 30 April 2020 respectively.

During the Current Period, cash dividend of HK$2,494,314.09 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.

SHARE AWARD SCHEME – *continued*

As at 30 September 2018, certain Directors had interests in the awarded shares under the Company's Share Award Scheme as follows:

		Number of award shares				
Directors/Date of grant	Vesting date	Outstanding as at 1 April 2018	Granted during the Current Period	Vested during the Current Period	Lapsed during the Current Period	Outstanding as at 30 September 2018
Lai Weide						
12 June 2018	31 July 2018	–	1,000,000	(1,000,000)	–	–
	30 April 2019	–	1,000,000	–	–	1,000,000
	30 April 2020	–	1,000,000	–	–	1,000,000
		–	3,000,000	(1,000,000)	–	2,000,000
Liu Tangzhi						
12 June 2018	31 July 2018	–	–	–	–	–
	30 April 2019	–	1,000,000	–	–	1,000,000
	30 April 2020	–	1,000,000	–	–	1,000,000
		–	2,000,000	–	–	2,000,000
Total		**–**	**5,000,000**	**(1,000,000)**	**–**	**4,000,000**

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2018.

RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into certain transactions with related parties under the applicable accounting principles, details of which are set out in note 30 of the condensed consolidated financial statement. These transactions were not connected transactions within the meaning of the Listing Rules and were mainly entered into by the Group in the ordinary course of business and the terms were on normal commercial terms and on an arm's length basis. Other than these related party transactions, the Group also entered into certain transactions with connected persons of the Company within the meaning of the Listing Rules. These connected transactions all fall under the de minimis provision set forth in Rule 14A.76(1) of the Listing Rules and are therefore fully exempted from the reporting, announcement and independent shareholders' approval requirements. The Group has performed regular review on the connected transactions in accordance with its corporate governance practice.

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 Current Period.

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

During the Current 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 2017/18 annual report of the Company are set out below:

Director	Detail of Changes	
Mr. Lai Weide	–	With effected from 1 April 2018, the emoluments structure of Mr. Lai were changed. Mr. Lai is entitled to (i) a director's fee of RMB500,000 per annum; (ii) director's salary of RMB1,000,000 per annum; (iii) performance salary determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iv) a discretionary bonus based on the performance of the Group. Mr. Lai is also entitled to a salary of RMB1,000,000 per annum from Skyworth Group Co., Ltd. ("Skyworth Group").
Mr. Liu Tangzhi	–	With effected from 1 April 2018, the emoluments structure of Mr. Liu were changed. Mr. Liu is entitled to (i) a director's fee of RMB500,000 per annum; (ii) director's salary of RMB1,000,000 per annum; (iii) performance salary determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iv) a discretionary bonus based on the performance of the Group. Mr. Liu is also entitled to a salary of RMB1,000,000 per annum from Skyworth Group.
		Resigned as legal representative of Shenzhen Chuangwei-RGB Electronics Co., Ltd ("RGB"), with effect from 31 July 2018.
		Resigned as chairman of RGB, with effect from 14 November 2018.
Ms. Lin Wei Ping	–	With effected from 1 April 2018, the emoluments structure of Ms. Lin were changed. Ms. Lin is entitled to (i) a director's fee RMB500,000 per annum; (ii) director's salary of RMB1,380,000 per annum; (iii) performance salary determined by her performance achievement in reference to the Group's annual performance assessment policy; and (iv) a discretionary bonus based on the performance of the Group. Ms. Lin is also entitled to a salary of RMB120,000 per annum from Skyworth Group.

CHANGES IN INFORMATION OF DIRECTORS *– continued*

Director		Detail of Changes
Mr. Shi Chi	–	With effected from 1 April 2018, the emoluments structure of Mr. Shi were changed. Mr. Shi is entitled to a director's fee of RMB500,000 per annum and an annual bonus based on the performance of the Skyworth Digital Co., Ltd ("Skyworth Digital"). Mr. Shi is also entitled a salary of RMB1,500,000 per annum and a performance salary determined by his performance achievement in reference to the Group's annual performance assessment policy from Skyworth Digital.
Mr. Lin Jin	–	With effected from 1 April 2018, the emoluments structure of Mr. Lin were changed. Mr. Lin is entitled to (i) a director's fee of RMB500,000 per annum; (ii) director's salary of RMB880,000 per annum; (iii) performance salary determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iv) an annual bonus based on the performance of Shenzhen Coocaa Network Technology Company Limited. Mr. Lin is also entitled to a salary of RMB120,000 per annum from Skyworth Group.

CORPORATE GOVERNANCE STANDARDS

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code").

During the Current 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 provision A.6.7 of the CG Code as 2 independent non-executive Directors (who were the chairperson of the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company respectively) were unable to attend the annual general meeting of the Company held on 2 August 2018 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 2017/18.

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 2017/18. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website (http://investor.skyworth.com/en/index.php).

Executive Committee

The executive committee of the Company (the "Executive Committee") was established by the Board on 5 February 2005. The Executive Committee currently comprises 9 members, including several executive Directors and senior management of the Company. During the Current 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 and 25 August 2017. The Nomination Committee is comprised of 4 members. The chairperson of the Nomination Committee is Mr. Li Ming 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.

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 Current 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 for the change of directors and supervisors of Skyworth Group, to review the adoption of the Directors' nomination policy; and to review the appointment of a director of Skyworth Group.

BOARD COMMITTEES – *continued*

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 and 25 August 2017. 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. Cheong Ying Chew, Henry and Mr. Li Ming. 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 formulated 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 Current Period and up to the date of this report, the Remuneration Committee held 2 meetings to review the bonus payable to the Directors and senior management of the Company; to review the emoluments proposal for the Directors and senior management of the Company; to review the contracts and supplemental contracts of the Directors and senior management of the Company; to review the Group's job duty and pay level correspondence table; to review the proposal for the grant of share award; to review the special bonus to the executive teams of Skyworth Group; to review the renewal of service contract of an executive director; and to review the scheme on incentives for special contributions on major projects.

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. Li Ming.

During the Current 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;

(e) to review the continuing connected transactions;

(f) to review the whistleblowing policy; and

(g) 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.

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

The Company recognised environmental protection as an important part of corporate social responsibility. Therefore, the Group has implemented various green measures in cooperation with its business partners for energy conservation and emission reduction, with an aim to mitigate the adverse impact on the environment. By actively promoting public awareness of environmental protection and providing guidelines to different business segments, we intend to integrate the Group's environmental protection strategies into every aspect of our operation, and finally realise its vision of attaining "Green Skyworth, Green Audio-visual, Green World".

The Company has adopted, in a comprehensive manner, the internationally recognised Environmental Management System (ISO14001:2015) and Energy Management System (ISO50001:2011) as the guiding principles of the Group in environmental protection. The Group's environmental policy comprises four main strategies, namely "Production Design", "Operational Energy Saving", "Concepts of Environmental Protection" and "Clean Energy".

The "Production Design" strategy aims to optimize the overall production system such as streamlining the production procedure, increasing the mould utilisation rate and considering the use of recycled materials to minimise resources consumption. With the "Energy Saving in Operation" strategy, the Group will relentlessly promote the environmental awareness culture and embed the conservation value to our workforce. The Company is promoting E-process of documents to reduce paper wastage; we are also applying natural lighting concepts and adjustable air-conditioning as well as establishing a robust waste management system in our buildings. The "Environmental Concepts" strategy targets to implant the green initiatives into the Group's supply chain from procurement to delivery of end products. This requires energy efficiency improvement in product designs, eco-friendly packaging, or even the transportation emissions. Last but not least, we also formulated the "Clean Energy" strategy to encourage the on-going transformation from the traditional energy sources to the increased utilisation of clean and renewable energy.

Our People

The Company recognises its employees as the most valuable asset and the primary force in sustaining its business growth. In terms of talent management, we follow the principles of diversity and merit, with a view to attracting a wide range of excellent talents to the Skyworth family. The Group also attaches great importance to employee development, and encourages its staff members to receive further education, to propose innovative ideas and make improvement. Meanwhile, Skyworth is committed to nurturing a healthy, diversified, fair, caring and inclusive workplace, through which it motivates staff members to put into practice the spirit of mutual help.

CORPORATE SUSTAINABILITY – *continued*

Our People – *continued*

As at 30 September 2018, Skyworth employed a total of around 36,000 full-time employees to serve different posts in the Group, including, among others, its management team, innovation development team, frontline manufacturing operation team, sales team and administration team.

The Group is committed to building a youthful and energetic team of employees. Over 50% of its staff are aged 30 or under, while around 47% of the remaining employees are aged between 31 and 50, only 3% of its staff are aged over 50. Geographically speaking, approximately 95% of its staff are based in operating and manufacturing locations of provinces and cities across China, while the rest are stationed in the Hong Kong head office or overseas subsidiaries, including a number of Southeast Asian countries (e.g. the Philippines, Indonesia, Thailand, Vietnam and Malaysia) and markets in Europe and America (e.g. Germany, the Netherland, France, Italy, the United Kingdom and the United States). Overall, the ratio of male to female employees of the Group is approximately 1.9:1.

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 2017/18.

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 by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organizational goals and objectives by striving to provide a positive impact on:

(a) efficiency and effectiveness of operating functions;

(b) reliability of financial reporting;

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

(d) compliance with applicable laws and regulations.

The Head of Risk Management Department has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. During the Current 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 Current Period, the Internal Audit Department carried out the audit works of certain major business units, and provided recommendations on management enhancement and operational efficiency.

BOARD OF DIRECTORS

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

On behalf of the Board

Lai Weide
Chairman of the Board
27 November 2018