SKYWORTH DIGITAL HOLDINGS LIMITED

(創 維 數 碼 控 股 有 限 公 司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

SKYWORTH DIGITAL HOLDINGS LIMITED is an investment holdings company with subsidiaries principally engaged in manufacturing and selling consumer electronic products and upstream accessories, property development and property holding.

Highlights of Results

The Group recorded the following results for the Reporting Period:

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

The Board is pleased to announce the unaudited interim results of the Group for the Reporting Period. The interim results have been reviewed by the Audit Committee and the Company’s auditor, Messrs. Deloitte Touche Tohmatsu.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016

Amounts expressed in millions of Hong Kong dollars

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 30 SEPTEMBER 2016

Amounts expressed in millions of Hong Kong dollars

	NOTE	As at 30 September 2016 (unaudited)	As at 31 March 2016 (audited)
Non-current Liabilities			
Other payable	11	60	54
Provision for warranty		79	90
Bank borrowings		2,718	3,155
Deferred income		739	626
Deferred tax liabilities		116	134
		3,712	4,059
NET ASSETS		16,991	16,700
Capital and Reserves			
Share capital		300	295
Share premium		3,304	2,995
Share option reserve		250	221
Share award reserve		45	55
Shares held for share award scheme		(166)	(206)
Investment revaluation reserve		(3)	-
Surplus account		38	38
Capital reserve		1,238	1,238
Exchange reserve		20	489
Accumulated profits		10,379	9,967
Equity attributable to owners of the Company		15,405	15,092
Non-controlling interests		1,586	1,608
		16,991	16,700

NOTES:

1. BASIS OF PREPARATION

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

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and, disclosure of contingent liabilities at the end of the Reporting Period and the reported amount of revenue and expenses during the Reporting Period. The key estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2016.

The Group's operations are seasonal, the revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2016.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new amendments to Hong Kong Financial Reporting Standards

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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

3. REVENUE

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

	Six months ended 30 September 2016 HK$ million (unaudited)	Six months ended 30 September 2015 HK$ million (unaudited)
Manufacture and sales of TV products	13,887	14,322
Manufacture and sales of digital set-top boxes	2,580	2,181
Processing income and sales of LCD modules	354	354
Manufacture and sales of white appliances	1,075	1,132
Property rental income	143	132
Sales of properties	260	204
Others	1,992	1,224
	20,291	19,549

4. SEGMENT INFORMATION

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

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

For the six months ended 30 September 2016 (unaudited)

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

4. SEGMENT INFORMATION – continued

For the six months ended 30 September 2015 (unaudited)

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	White appliances	Property holding	Others	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Revenue								
Segment revenue from external customers	11,241	3,081	2,535	1,132	132	1,428	-	19,549
Inter-segment revenue	478	-	391	-	18	213	(1,100)	-
Total segment revenue	11,719	3,081	2,926	1,132	150	1,641	(1,100)	19,549
Results								
Segment results	858	79	254	56	95	(29)	-	1,313
Interest income								157
Unallocated corporate expenses less income								(151)
Finance costs								(85)
Share of results of associates								(2)
Share of results of joint ventures								4
Consolidated profit before taxation of the Group								1,236

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

Inter-segment revenue is charged at prevailing market rates.

5. INCOME TAX EXPENSE

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

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

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

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.

6. PROFIT FOR THE PERIOD

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

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September 2016 HK$ million (unaudited)	Six months ended 30 September 2015 HK$ million (unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	836	869
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,900,036,769	2,834,459,507
Effect of dilutive potential ordinary shares in respect of share options outstanding	21,154,186	21,974,073
Effect of dilutive potential ordinary shares in respect of share awards outstanding	18,664,574	20,827,046
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,939,855,529	2,877,260,626

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the Company under a Share Award Scheme.

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

8. DIVIDENDS

	Six months ended 30 September 2016 HK$ million (unaudited)	Six months ended 30 September 2015 HK$ million (unaudited)
Dividends recognised as distribution during the period:		
2016 Final dividend - HK14.4 cents (for the six months ended 30 September 2015: 2015 Final dividend - HK11.0 cents) per share	423	315
Less: Dividends for shares held by Share Award Scheme	(6)	(3)
	417	312

8. DIVIDENDS - continued

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

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

For sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

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

The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the Reporting Period, which approximated the revenue recognition date, and other receivables, deposits and prepayments:

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

10. BILLS RECEIVABLE

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

12. BILLS PAYABLE

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

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

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

13. PLEDGE OF ASSETS

As at 30 September 2016, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights, and leasehold land and buildings with carrying values of HK$86 million (as at 31 March 2016: HK$190 million) and HK$351 million (as at 31 March 2016: HK$96 million) respectively;

(b) pledged bank deposits of HK$595 million (as at 31 March 2016: HK$493 million);

(c) finance lease receivables of HK$156 million (as at 31 March 2016: HK$158 million); and

(d) trade receivable of HK$14 million (as at 31 March 2016: HK$88 million).

14. ACQUISITION OF A SUBSIDIARY

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

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

14. ACQUISITION OF A SUBSIDIARY - continued

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

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

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

Consideration transferred

	HK$ million (unaudited)
Cash consideration payable within one year	138
Cash consideration paid	7
	145

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

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

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

14. ACQUISITION OF A SUBSIDIARY - continued

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

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

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

	HK$ million (unaudited)
Consideration	145
Less: Net assets acquired	(244)
Gain on bargain purchase	(99)

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

Net cash inflow arising on acquisition is as follows:

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

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

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

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

BUSINESS PERFORMANCE REVIEW

(1) Moderate increase in revenue

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

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

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

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

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

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

- Total number of active users: 14,859,384
- Average weekly active users: 7,930,070

(2) Revenue analysis by geographical and product segments

(a) Mainland China Market

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

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

TV products

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

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

According to the extrapolated TV sales data based on the market survey across 1,505 cities with 6,700 retail terminals in the mainland China conducted by Beijing All View Cloud Data Technology Co., Ltd, a market research and marketing consulting company focusing on consumer electronic and home appliance industry. The establishment of which was initiated and advocated by China Video Industry Association in the PRC, the Group's market shares among local and foreign TV brands in the mainland China for the 12 months ended 30 September 2016 are as follows:

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

Digital set-top boxes

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

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

White Appliances

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

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

(b) Overseas Market

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

TV products

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

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

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

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

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

Digital set-top boxes

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

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

Geographical distribution of revenue in overseas markets

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

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

(3) Gross profit margin

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

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

(4) Expenses

The Group's selling & distribution expenses for the Reporting Period increased by HK$143 million or 6.4% to HK$2,379 million. The selling & distribution expenses to revenue ratio increased by 0.3 percentage points from 11.4% to 11.7%.

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

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopted a prudent financial policy to maintain a stable financial growth. The Group's net current assets as at the end of the Reporting Period was HK$10,816 million, increased by HK$141 million or 1.3%, when compared with that as at 31 March 2016. As at the end of the Reporting Period, bank balances and cash amounted to HK$4,418 million, representing a decrease of HK$605 million when compared with that as at 31 March 2016; also an increase of HK$255 million when compared with that as at 30 September 2015. Pledged bank deposits amounted to HK$595 million increased by HK$102 million when compared with that as at 31 March 2016.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$595 million pledged bank deposits (as at 31 March 2016: HK$493 million), finance lease receivables of HK$156 million (as at 31 March 2016: HK$158 million), trade receivables of HK$14 million (as at 31 March 2016: HK$88 million), as well as certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$437 million (as at 31 March 2016: HK$286 million) as at the end of the Reporting Period.

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

TREASURY POLICY

The Group's major investments and revenue streams are derived from the mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in Hong Kong$, US$ and EUR$. The Group uses general trade financing to fulfill the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. During the Reporting Period, since RMB was significantly depreciated, the Group recognised an increase in net foreign exchange gains to HK$110 million associated with the fluctuation of RMB.

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 30 September 2016, the Group had over 39,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 40 branches and 216 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in motivation and recognition of staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical commentaries on latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group is continuous strengthening the infrastructure of human resources, providing guidance to the position title, salary norms, and gradually establishes a long-term centralised selection, training and development mechanism and a specified department to enhance the professionalism and leadership skill of senior personnel staff.

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

OUTLOOK

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

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

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

CORPORATE GOVERNANCE STANDARDS

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

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

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

AUDIT COMMITTEE

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

During the Reporting Period and up to the date of this announcement, 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 of accounting and financial reporting functions of the Group;
(d) to discuss on the Group's internal audit plan with the Risk Management Department; and
(e) to meet and communicate with the external auditors for audit works of the Group.

MODEL CODE

The Company has adopted the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Reporting Period.

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

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

INTERIM DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 December 2016 to Friday, 9 December 2016, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend payable on or around Tuesday, 7 February 2017, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712–16 Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 6 December 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (http://investor.skyworth.com/html/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company's 2016/17 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the shareholders of the Company and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions to the Group throughout the Reporting Period.

By order of the Board
Skyworth Digital Holdings Limited
Lai Weide
Chairman of the Board

Hong Kong, 22 November 2016

GLOSSARY

“AR”	Augmented Reality
“Audit Committee”	The audit committee of the Company
“Board”	The board of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Company” or “Skyworth”	Skyworth Digital Holdings Limited
“Coocaa Company”	Shenzhen Coocaa Network Technology Company Limited
“Director(s)”	Directors of the Company
“EUR”	Europe dollars, the lawful currency of the Eurozone
“Group”	The Company together with its subsidiaries
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IFA”	Internationale Funkausstellung, an electronics exhibition held in Berlin, Germany
“LAT”	Land appreciation tax
“LCD”	Liquid crystal display
“LED”	Light emitting diode backlights
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“METZ”	METZ-Werke GmbH & Co. KG, a company incorporated in Germany
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“O2O”	Online to offline
“ODM”	Original Design Manufacturer
“OEM”	Original Equipment Manufacturer
“OLED”	Organic Light Emitting Diode
“OTT”	Over-the-top
“PRC” or “China”	People’s Republic of China
“Reporting Period”	Six months ended 30 September 2016
“RGB”	Shenzhen Chuangwei-RGB Electronics Co., Ltd, a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

"Share Award Scheme"	Share award scheme approved and adopted by the Board on 24 June 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TV"	Television
"UHD"	Ultra-high Definition
"US$"	United States dollars, the lawful currency of United States of America
"VAT"	Value-added-tax
"VR"	Visual Reality
"4K Smart TV"	Smart TV with UHD (4Kx2K) panel
"%"	Per cent

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