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 2017

SKYWORTH DIGITAL HOLDINGS LIMITED (the "Company") 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 Current Period:

- Revenue amounted to HK$21,489 million, representing an increase of 5.9% compared to the same period of previous year.
- Sales of TV products and digital set-top boxes and LCD modules accounted for 67.9% and 17.8% of the Group's total revenue, respectively.
- Gross profit achieved HK$3,386 million, a decrease by 18.8%. While the gross profit margin was 15.8%, representing a decrease of 4.8 percentage points compared to the same period of previous year.
- Unaudited loss before and after non-controlling interests for the Current Period were HK$189 million and HK$192 million respectively as compared to profit of HK$948 million and HK$836 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 year.

The board (the "**Board**") of directors (the "**Directors**") of the Company announced the unaudited interim results of the Company together with its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2017 ("**Current Period**"). The interim results have been reviewed by the audit committee of the Company (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 2017

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

	NOTES	Six months ended 30 September 2017 (unaudited)	Six months ended 30 September 2016 (unaudited)
Revenue	3	21,489	20,291
Cost of sales		(18,103)	(16,121)
Gross profit		3,386	4,170
Other income		515	737
Other gains and losses		(248)	180
Selling and distribution expenses		(2,337)	(2,379)
General and administrative expenses		(1,327)	(1,390)
Finance costs		(141)	(174)
Share of results of associates		2	-
Share of results of joint ventures		3	(2)
(Loss) profit before taxation		(147)	1,142
Income tax expense	5	(42)	(194)
(Loss) profit for the period	6	(189)	948
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		693	(581)
Fair value loss on available-for-sale financial assets		(20)	(2)
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		-	(1)
Other comprehensive income (expense) for the period		673	(584)
Total comprehensive income for the period		484	364
(Loss) profit for the period attributable to:			
Owners of the Company		(192)	836
Non-controlling interests		3	112
		(189)	948
Total comprehensive income for the period attributable to:			
Owners of the Company		348	364
Non-controlling interests		136	-
		484	364
(Loss) earning per share (expressed in Hong Kong cents)			
Basic	7	(6.38)	28.83
Diluted	7	N/A	28.44

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
Non-current Assets			
Property, plant and equipment		6,975	6,303
Deposits for purchase of property, plant and equipment		317	262
Investment properties		5	5
Prepaid lease payments on land use rights		918	818
Deposits for acquisition of land use rights		1,960	1,883
Goodwill		521	521
Intangible assets		117	116
Interests in associates		80	79
Interests in joint ventures		47	43
Available-for-sale investments		1,351	1,268
Other receivables	9	-	10
Loan receivables		61	32
Finance lease receivables		-	68
Deferred tax assets		373	312
		12,725	11,720
Current Assets			
Inventories		6,770	6,666
Stock of properties		1,147	1,048
Prepaid lease payments on land use rights		32	29
Investments in debt securities		49	746
Available-for-sale investments		457	1,052
Held-for-trading investments		59	-
Trade and other receivables, deposits and prepayments	9	10,363	7,426
Bills receivable	10	4,530	6,477
Loan receivables		1,994	2,635
Finance lease receivables		166	91
Amounts due from associates		77	2
Prepaid tax		200	62
Pledged bank deposits		278	290
Restricted bank deposits		533	479
Bank balances and cash		7,803	4,336
		34,458	31,339

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
Current Liabilities			
Trade and other payables	11	12,516	10,921
Bills payable	12	5,213	5,409
Derivative financial instruments		6	7
Provision for warranty		146	164
Amounts due to associates		49	87
Amount due to a non-controlling shareholder of a subsidiary		75	102
Tax liabilities		137	125
Borrowings		5,629	4,979
Deferred income		258	247
		24,029	22,041
Net Current Assets		10,429	9,298
Total Assets less Current Liabilities		23,154	21,018
Non-current Liabilities			
Other financial liabilities	11	186	230
Provision for warranty		97	73
Borrowings		2,052	3,013
Corporate bonds		2,335	-
Deferred income		828	726
Deferred tax liabilities		139	163
		5,637	4,205
NET ASSETS		17,517	16,813
Capital and Reserves			
Share capital		306	305
Share premium		3,598	3,527
Share option reserve		218	206
Share award reserve		23	33
Shares held for share award scheme		(149)	(164)
Investment revaluation reserve		41	61
Surplus account		38	38
Capital reserve		1,402	1,402
Exchange reserve		219	(341)
Accumulated profits		10,464	10,412
Equity attributable to owners of the Company		16,160	15,479
Non-controlling interests		1,357	1,334
		17,517	16,813

NOTES:

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 key estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2017.

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 2017.

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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

<u>Application of amendments to Hong Kong Financial Reporting Standards</u>

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

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 2017 HK$ million (unaudited)	Six months ended 30 September 2016 HK$ million (unaudited)
Manufacture and sales of televisions ("TV") products	14,584	13,887
Manufacture and sales of digital set-top boxes	3,323	2,580
Processing income and sales of liquid crystal display ("LCD") modules	511	354
Manufacture and sales of white appliances	1,278	1,075
Property rental income	155	143
Sales of properties	19	260
Others	1,619	1,992
	21,489	20,291

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 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)

4. SEGMENT INFORMATION - continued

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 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	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)
Condensed consolidated profit before taxation of the Group								1,142

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 2017 HK$ million (unaudited)	2016 HK$ million (unaudited)
The charge (credit) comprises:		
PRC income tax		
Current period	107	283
Hong Kong Profits Tax		
Current period	-	2
Overprovision in prior periods	(1)	(3)
	(1)	(1)
Land appreciation tax ("LAT")	-	5
Taxation arising in other jurisdictions		
Current period	9	10
	115	297
Deferred taxation	(73)	(103)
	42	194

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

5. INCOME TAX EXPENSE - continued

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. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	HK$ million	HK$ million
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	18,037	15,899
Cost of stock of properties recognised as an expense	12	184
Depreciation of property, plant and equipment	329	333
Less: capitalised in inventories	(148)	(154)
	181	179
Dividend income from unlisted investments	17	23
Government grants		
- related to assets	(6)	(65)
- related to expense items	(139)	(55)
	(145)	(120)
Interest income		
- available-for-sales investments	(7)	(18)
- bank deposits	(20)	(49)
- investments in debt securities	(33)	(147)
- loan receivables	(43)	(22)
	(103)	(236)
Release of prepaid lease payments on land use rights	7	8
Rental income from leasing of properties less related outgoings of HK$54 million (for the six months ended 30 September 2016: HK$38 million)	(101)	(105)
Staff costs, including directors' emoluments	1,889	2,087
Less: capitalised in inventories	(512)	(569)
	1,377	1,518
Value-added-tax ("VAT") refund	(122)	(275)

7. (LOSS) EARNING PER SHARE

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

	Six months ended 30 September 2017 HK$ million (unaudited)	2016 HK$ million (unaudited)
(Loss) earning:		
(Loss) earning for the purposes of basic and diluted (loss) earning per share:		
(Loss) profit for the period attributable to owners of the Company	(192)	836
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earning per share	3,007,403,969	2,900,036,769
Effect of dilutive potential ordinary shares in respect of share options outstanding		21,154,186
Effect of dilutive potential ordinary shares in respect of share awards outstanding		18,664,574
Weighted average number of ordinary shares for the purpose of diluted earning per share		2,939,855,529

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.

No diluted loss per share is presented for the six months ended 30 September 2017 as the exercise of the share options and share awards would result in a reduction in loss per share.

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

8. DIVIDENDS

	Six months ended 30 September 2017 HK$ million (unaudited)	2016 HK$ million (unaudited)
Dividends recognised as distribution during the period:		
2017 Final dividend - HK5.0 cents (for the six months ended 30 September 2016: 2016 Final dividend - HK14.4 cents) per share	153	423
Less: Dividends for shares held by share award scheme	(1)	(6)
	152	417

8. DIVIDENDS - continued

The final dividend for the year ended 31 March 2017 of HK5.0 cents per share, amounting to HK$153 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 2017. Of such final dividend, an aggregate amount of HK$69 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 September 2017 to the shareholders of the Company.

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.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued

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

	As at 30 September 2017 HK$ million (unaudited)	As at 31 March 2017 HK$ million (audited)
Within 30 days	3,974	2,320
31 to 60 days	1,597	930
61 to 90 days	775	684
91 to 365 days	1,387	1,253
366 days or over	442	484
Trade receivables	8,175	5,671
Prepayment for expenses	371	314
Purchase deposits paid for materials	404	275
Receivables for disposal of a subsidiary	-	10
VAT receivables	621	536
Other deposits paid, prepayments and other receivables	792	630
	10,363	7,436
Less: Amount due after one year under non-current assets	-	(10)
	10,363	7,426

10. BILLS RECEIVABLE

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

	As at 30 September 2017 HK$ million (unaudited)	As at 31 March 2017 HK$ million (audited)
Within 30 days	758	970
31 to 60 days	766	1,289
61 to 90 days	736	1,680
91 days or over	1,834	2,118
Bills discounted to banks with recourse	436	420
	4,530	6,477

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 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 2017 HK$ million (unaudited)	As at 31 March 2017 HK$ million (audited)
Within 30 days	3,950	2,763
31 to 60 days	1,135	1,059
61 to 90 days	678	719
91 days or over	260	306
Trade payables	6,023	4,847
Accruals and other payables	1,002	928
Accrued staff costs	626	868
Accrued selling and distribution expenses	674	620
Customer deposits	199	551
Deposits received for sales of goods	1,089	1,130
Deposits received for sales of properties	850	387
Deposits received for share award scheme of a subsidiary	239	-
Other deposits received	711	792
Payables for acquisition of subsidiaries	68	68
Payables for purchase of property, plant and equipment	34	34
Sales rebate payable	879	599
VAT payable	122	97
	12,516	10,921

11. 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 2017 HK$ million (unaudited)	As at 31 March 2017 HK$ million (audited)
At the beginning of the period/year	230	-
Arising on disposal of partial interest in a subsidiary	59	225
Imputed interest expenses for the period/year	6	4
Release of other financial liabilities to non-controlling interests	(117)	-
Exchange realignments	8	1
At the end of the period/year	186	230

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 Network Technology Company Limited ("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 2016. During the six months ended 30 September 2017, 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 Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange, 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$5 million (for the six months ended 30 September 2016: nil) has been recognised in respect of this financial liability during the six months ended 30 September 2017.

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.

11. 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 ("First 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. Imputed interest expenses of HK$1 million (for the six months ended 30 September 2016: nil) has been recognised in respect of this financial liability from 1 April 2017 to 4 May 2017 (details refer below).

During the six months ended 30 September 2017, 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 ("Second Cooperation Agreement") to revoke the First Cooperation Agreement and removed the terms on sales target as stated in the First Cooperation Agreement. The management is of the view that all the terms specified in the Second 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 and no imputed interest expense is recognised for the RMB100 million received from the investor.

12. BILLS PAYABLE

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

	As at 30 September 2017 HK$ million (unaudited)	As at 31 March 2017 HK$ million (audited)
Within 30 days	771	1,018
31 to 60 days	618	1,009
61 to 90 days	1,077	1,016
91 days or over	2,747	2,366
	5,213	5,409

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

13. PLEDGE OF ASSETS

As at 30 September 2017, the Group's 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$82 million (as at 31 March 2017: HK$80 million) and HK$377 million (as at 31 March 2017: HK$397 million) respectively;

(b) pledged bank deposits of HK$278 million (as at 31 March 2017: HK$290 million);

(c) finance lease receivables of nil (as at 31 March 2017: HK$151 million);

(d) loan receivables of nil (as at 31 March 2017: HK$228 million);

(e) trade receivable of HK$49 million (as at 31 March 2017: HK$4 million);

(f) bills receivables of HK$436 million (as at 31 March 2017: HK$420 million); and

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

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.

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. Acquisition of Toshiba Indonesia is to accelerate the strategic layout and enhance the ability to protect the supply chain in the Southeast Asian market and increase brand synergy of the Group.

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.

14. ACQUISITION OF A SUBSIDIARY - continued

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

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: Fair value of net assets acquired	(244)
Gain on bargain purchase	(99)

14. ACQUISITION OF A SUBSIDIARY - continued

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, which was determined with reference to the net book value, under which the transaction was completed within a short period of time.

Net cash inflow arising on the 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 six months end 30 September 2016	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 was renamed as PT. Skyworth Industry Indonesia.

BUSINESS PERFORMANCE REVIEW

Moderate increase in revenue

During the Current Period, fierce competition continued to reign the domestic TV market. Nationwide, online brands maintained their growing momentum in overall domestic sales proportion; with the shift in consumption mode driving incessant movements in market dynamics and all fellow industry practitioners venturing to seek new business modes in the midst of such significant changes, we are seeing extended alterations in both retail price and market share. Despite a year-on-year decrease of 20.8% in our TV sales volume in the mainland China market, the Group managed to deliver a stable growth in revenue by making timely adjustment to product structure, focusing on smart products and improving product quality in response to changes in the marketplace. Our overall revenue amounted to HK$21,489 million, representing an increase of 5.9% compared to 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 2017	April to September 2016	April to September 2017 vs. April to September 2016
	Unit ('000)	*Unit ('000)*	***Increase/(Decrease)***
TV sales volume			
Mainland China Market	**3,499**	**4,416**	**(21%)**
Including:			
- 4K TV	***1,880.2***	***1,858.0***	***1%***
- Non-4K TV	***1,618.6***	***2,557.6***	***(37%)***
Overseas Market	**3,855**	**3,803**	**1%**
Total TV sales volume	**7,354**	**8,219**	**(11%)**

For the six months ended 30 September 2017, the Group's user population of Skyworth Smart TV in the mainland China market is as below:

- Total volume of activated internet TV: 24,795,677
- Smart TV weekly active volume: 12,163,319
- Smart TV daily active volume: 9,353,739

Revenue analysis by geography and product markets

Mainland China Market

During the Current Period, the mainland China market accounted for 64.7% of the Group's total revenue, representing a slight decrease of 0.9% from HK$14,022 million for the same period of previous year to HK$13,900 million.

The Group's TV business in mainland China accounted for 63.1% of the total domestic revenue. The sales of digital set-top boxes and LCD modules and white appliances (excluding air conditioning products) accounted for 17.4% and 7.6%, 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 11.9%.

TV products

During the first half of 2017, the Group increased the average selling prices of its products and the proportions of high-end product sales by improving its product portfolio, including the launch of large-size 4K TVs and targeted products for e-commerce and rural markets. Proportion of 4K Smart TV sales volume in the mainland China market grew to 53.7%, representing a year-on-year increase of 1.2%, which mitigated the impact resulting from market movements and the fierce competition within the industry. The revenue of the Group's TV products decreased by 6.5% to HK$8,764 million from HK$9,376 million recorded in the same period of previous year.

We keep abreast with the development in technologies such as the internet, big data, cloud computing and the internet of things. On the one hand, the Group seizes opportunities arising from transformation of the home appliance industry and the upgrading in product technologies to drive extended development of new products: we recently unveiled our most cutting-edge Wallpaper OLED TV at IFA Berlin in September, becoming the first and only brand from the Chinese market to launch this product. On the other hand, the Group has also been accelerating the digitalisation, internetisation and smartisation of its products, which resulted in a fast yet sustainable growth in the user population of Smart TV. To quicken the penetration of smart products, Coocca's smart platform will be customised into all Skyworth Smart TVs, giving consumers the liberty to choose online contents at will on top of conventional cable TV programmes, so as to strengthen TV's centred position at a smart household. During the Current Period, Skyworth reported more than 24,000,000 activated users of its Smart TVs in the Chinese market, while sales volume of Coocca-branded TVs accounted for 8.1% of the mainland China market, with the revenue from its video, gaming, advertising, educational and other contents amounting to HK$135 million.

Our industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: iQIYI and an affiliate of Tencent Holdings Limited ("Tencent") have successively made strategic investments in Shenzhen Coocaa, advancing our efforts in entering the living room entertainment market and becoming a leader in the living room economy. The Group has every faith that riding on the back of its quality contents, strong capital base and loyal fans, it will realise greater potential in the future, and lay down a solid foundation for the development of its smart-home and smart-city businesses.

Digital set-top boxes and LCD modules

The revenue of digital set-top boxes and LCD modules in the mainland China market recorded HK$2,412 million, representing an increase of HK$561 million or 30.3%, compared with HK$1,851 million recorded in the same period of previous year.

While most enterprises in the mainland China market are still focused on staying ahead in the competition of conventional set-top boxes, Skyworth has long shifted the strategic focus of its digital set-top boxes business to creating user-centric values. Skyworth now mainly concentrates on its "broadcasting + internet" public domain business and its OTT-based user-centric business; through the synergy of these two key business units, Skyworth aims to remove barriers between upstream and downstream industry channels, thereby driving the Group's revenue growths. With regard to its public domain business, all "broadcasting + internet" operations have delivered satisfactory economic benefits. Skyworth operates contents of its OTT-based, user-centric internet platform in sync with Tencent and iQIYI, so as to present more time-appropriate content recommendations and improve content quality, with a view to making commission for paid contents as well as revenue from CPA and CPS applications. At the same time, Skyworth also effectively supports its refined operation via big data platforms through the introduction of operator commercials, application stores and shopping functions. Further still, not only did the Group initiate new projects for the manufacturing of LCD modules and LCD smart devices during the Current Period, it also established close strategic partnerships with upstream suppliers and actively collaborated with panel manufacturers, driving innovation for its OLED projects while creating new opportunities for further revenue growths.

White Appliances

The revenue of white appliances in the mainland China market recorded HK$1,055 million, representing an increase of 5.0% or HK$50 million, compared with HK$1,005 million recorded in the same period of previous year.

For the Current Period, our white appliances business adopted the marketing strategy of expanding online presence while consolidating offline channels. As it quickly established a "new retail" model and launched exclusive stores online, the business successfully created synergy through its O2O channels. In addition, the business also provided customers who placed orders at Skyworth's flagship store on Tmall with a series of cross-channel, seamless one-stop services, including delivery, installation and fine-tuning by local outlets. These, combined with interactive platforms such as Tmall Live and fan clubs, managed to help the business transform its marketing approach from focusing solely on product sales to a comprehensive strategy centred on brand marketing, which in turn led to the successful establishment of a robust connection between its online and offline channels, thereby delivering effective revenue growths.

Overseas Market

During the Current Period, revenue in overseas markets accounted for HK$7,589 million, equivalent to 35.3% of the Group's overall revenue, representing an increase of 21.1% when compared with HK$6,269 million recorded in the same period of previous year.

TV products

During the Current Period, revenue of TV products in overseas markets was HK$5,820 million, accounting for 76.7% of the total overseas revenue. In comparison, HK$4,511 million was recorded in the same period of previous year, representing an increase of 29.0%.

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". On the one hand, we embed technological innovation and intelligent technologies into our products and customise products that suit the local markets for overseas customers, therefore enriching our offerings through product differentiation. On the other hand, we fully leverage the Company's product development competence and mass-production capacity to make it possible to address the needs of more customers, further improving our brand image in international markets. During the Current Period, our business volume grew rapidly, while sales volume amounted to approximately 3.86 million units, representing a year-on-year growth of 1.4%.

Over the years, the Group expand market exposure through the model of Original Equipment Manufacturer ("OEM"), Original Design Manufacturer ("ODM") and set up overseas branches to promote our own brand, which have gained increasing popularity and visibility in overseas markets. During the Current Period, the proportion of our own branded sales in overseas markets amounted to HK$996 million, recorded a year-on-year increase of 13.1%.

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$1,422 million, comparing with HK$1,083 million recorded in the same period of previous year, representing an increase of 31.3%.

During the Current Period, in addition to seeking additional growth opportunities for its digital set-top boxes business in segmented markets, the Group also outsourced the manufacturing function of its own brand – Strong, to external manufacturers. At the same time, Strong Media Group Limited, an indirect non-wholly owned subsidiary of the Company, concentrated its resources to promote Skyworth digital OTT intelligent terminal products in European markets to meet demands created by the overall trend of digitalisation therein. As one of the remarkable results from these efforts, the Group has witnessed enhanced influence and increased awareness of its digital set-top boxes in overseas markets, and it is now among a handful of companies authenticated by Google's OTT TV services. In addition, the Group completed the merger and acquisition of Caldero Limited, a UK-based company, in March, and secured orders from high-end operators, further strengthening its overall competitiveness to tap into the global market of first-tier and mainstream operators.

Geographical distribution of revenue in overseas markets

During the Current Period, the Group’s overseas markets concentrated in Asia, America and Europe, with aggregation up to 79.0% in the overseas revenue. Within this proportion, the revenue from Asia markets rose by 8 percentage points due to the Group’s dedicated effort in expanding its presence in new markets across Asia. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2017	2016
	(%)	(%)
Asia	52	44
America	14	24
Europe	13	14
Middle East	13	9
Africa	7	9
Oceania	1	-
	100	100

Gross profit margin

During the Current Period, the overall gross profit margin of the Group was 15.8%, representing a decrease of 4.8 percentage points in comparison to the same period of previous year.

During the Current Period, while LCD TV panel cost reported a mild decrease within a market that remained stable, it is still at its relative historical highs. Moreover, costs and expenses of other raw material stayed at high levels, gross profit margin was therefore under great pressure. Not only did the Group continue to optimise its product structure, it also 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 to mid-range and high-end products. Although the proportion of sales volumes of 4K smart products (which have a higher gross profit margin) continued to rise, it however, failed to cover up the gap created by a declining gross profit margin in a short period of time. With the extended promotion of smart manufacturing, the Group expects to deploy more robots to production lines in the second half, with an aim to save on rising labour costs and improve product quality. It is believed that the gross profit margin will be effectively improved in the second half.

The overseas market turnover in proportion to total turnover accounted for an increase of 4.4 percentage points in comparison to the same period of previous year. Due to lower gross profit margins in overseas markets, the increased proportion of their sales volumes had correspondingly affected the overall gross margin directly. However, along the rapid promotion of products from our own brands overseas, the gross margin of overseas markets will continue to improve, which in turn will drive growth in the overall gross margin.

Expenses

The Group's selling and distribution expenses for the Current Period decreased by HK$42 million or 1.8% to HK$2,337 million when compared with that for the same period of previous year. The selling & distribution expenses to revenue ratio dropped by 0.8 percentage points from 11.7% to 10.9%.

The Group's general and administrative expenses decreased by HK$63 million or 4.5% to HK$1,327 million when compared with that for the same period of previous year. The general and administrative expenses to revenue ratio dropped by 0.7 percentage points from 6.9% to 6.2%. Since the Group had devoted enormous resources in research and development expenses during the reporting period in proposition of developing high quality smart products, wherein the research and development expenses increased by HK$89 million or 12.5% to HK$800 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$10,429 million, an increase of HK$1,131 million or 12.2%, when compared with that as at 31 March 2017. As at the end of the Current Period, bank balances and cash amounted to HK$7,803 million, representing an increase of HK$3,467 million when compared with that as at 31 March 2017, representing an increase of HK$3,385 million when compared with that as at 30 September 2016. As at the end of the Current Period, pledged bank deposits amounted to HK$278 million, a decrease of HK$12 million when compared with that as at 31 March 2017, also a decrease of HK$317 million when compared with that as at 30 September 2016.

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 pledged bank deposits of HK$278 million (as at 31 March 2017: HK$290 million), trade receivables of HK$49 million (as at 31 March 2017: HK$4 million), bills receivables of HK$436 million (as at 31 March 2017: HK$420 million), as well as certain prepaid lease payments on land use rights, leasehold land and properties in mainland China and Hong Kong with net book value of HK$459 million (as at 31 March 2017: HK$477 million).

At the end of the Current Period, total bank loans amounted to HK$7,681 million, corporate bonds (inclusive of interest) amounted to HK$2,340 million (as at 31 March 2017: Nil). Overall interest-bearing liabilities of the Group were HK$10,021 million, equity attributable to owners of the Company amounted to HK$16,160 million (as at 31 March 2017: HK$15,479 million). The debt to equity ratio revealed as 57.2% (as at 31 March 2017: 47.5%).

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 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. During the Current Period, net foreign exchange loss amounted to HK$242 million, driven by the depreciation of the US dollar and the appreciation of the RMB and the Euro.

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. It is expected that in the second half of the financial year, the exchange rates of RMB will remain steady or slightly fluctuate. However, since RMB is the Group's major transaction currency, it is anticipated that the Group will not be exposed to a significant exchange rate risk due to the fluctuation of RMB. The Group will also discuss the impact of other currencies on its assets and liabilities in due course, and mitigate its exchange risk as and when appropriate.

On 14 September 2017, the Group publicly issued the first tranche of its corporate bonds to eligible investors on the Shenzhen Stock Exchange. This was the first time that the Group raised funds from the capital market since it became a listed company in Hong Kong in 2000, and it will have a positive effect on optimising the Group's debt structure and securing completion for its major projects. The aggregate principal amount of bonds issued was RMB2 billion, whose coupon rate was 5.36%.

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

(a) Unlisted equity securities

As at 30 September 2017, the Group holds investments in 26 unlisted companies. The total value (at cost) of these investments (net of impairment loss recognised) are HK$1,234 million, of which HK$966 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 2017, the Group holds two listed equity securities, details of which are as follows:

Listed company	**Shareholding as at 30 September 2017**	**Value of investment as at 30 September 2017** (HK$ million)	**Value of investment as at 31 March 2017** (HK$ million)	**Exchange on which the securities are listed**	**Principal business of the listed company**
Chigo Holding Limited	5.04%	41.2	53.1	The Stock Exchange of Hong Kong Limited	Manufacturing and sale of air-conditioners
Ningbo Exciton Technology Co. Limited	1.44%	76.2	84.3	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 China government, however, the returns from these investments might remain subject to market uncertainties. The management will take a prudent approach to deal with these investments and will take necessary actions to cope with the market change.

(c) Other financial instruments

The Group holds investment products with a total fair value of HK$457 million as at 30 September 2017. These investment products are unlisted and are issued by banks, securities firms, investment companies and other companies in the PRC. These products typically have a term of 3 years or less, details of which are as follows:

Issuer/Manager	**Investment type**	**Expected returns (%)** (Note)	**Value as at 30 September 2017** (HK$ million)
Shenzhen Hongta Asset Management Limited (Manager)	Investment fund	9.60%	234.7
First Capital Security Holdings Limited	Investment fund	8.80% – 10.00%	112.1
Others	Mainly include investment fund, private equity fund and venture capital fund	3.25% – 15.00%	109.7

Note: The expected return is an estimation stated in contract which may not represent the actual return.

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$513 million in construction projects, including the expansion of production plants in Nanjing and Shenzhen, and approximately HK$251 million for purchasing machinery and other equipment for production lines and improvement of facilities in production plants. The Group planned to further invest HK$532 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.

During the Current Period, Guangzhou Chuangwei Electronics Co., Ltd., a subsidiary of the Group, acquired a parcel of land in Guangzhou at a consideration of approximately HK$90 million, with an area of 3,791 sq.m, which will be used for the construction of our South China headquarters.

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 interim financial statements of the Group.

HUMAN RESOURCES CAPITAL

As at 30 September 2017, the Group had about 39,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 33 branches and 191 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

Operating in a new era where home appliances are heading towards full smartisation, digitalisation and internetisation, the industry is faced with daunting challenges never seen before. While this drives advancement of the home appliance industry and consumption upgrade, the Group has taken the initiative to follow the national strategy of making China a manufacturing powerhouse, concentrating on the promotion of industrial transformation and upgrading.

In order to accomplish industrial transformation and upgrading, the Group has determined the following overall strategies: to fully comprehend new features, new technologies emerging in the smart home appliance industry by thoroughly studying and discerning the overall development trend in global electronic information industry; to increase the effort in implementing its smartisation strategy with a focus on promoting intelligent home systems; to increase the effort in implementing its strategy for refined operation based on promoting the construction of smart manufacturing facilities; and to increase the effort in implementing its internationalisation strategy centred on establishing a global marketing network.

At the same time, in order to accelerate the industrial transformation from extensive growth to intensive growth, and to promote the upgrading to mid-range and high-end technologies, the Group has repositioned and re-planned its existing operations, with an initial plan to establish 4 major sectors. The first of which is a multimedia sector comprising TVs, Digital set-top boxes and content operation; the second is a smart appliance sector covering a number of smart appliances, including smart refrigerators, smart washing machines and smart air conditioners. The third sector focuses on intelligent systems technology, which comprises intelligent home systems, intelligent vehicle systems, urban intelligent systems and relevant security, lighting, healthcare and servicing operations. Intelligent systems technology is a collection of technologies that will enable the establishment of future intelligent home, urban and vehicle systems, whose applicability can be extensively large. Having made a certain scale of investment in this field, the Group has already managed to develop some technologies and talents. Nevertheless, Skyworth will further accelerate the development and introduction of talents, set up its own research institute of intelligent systems technologies, enhance the development of key technologies, including intelligent home, intelligent vehicles, intelligent cities, digital technology, telecommunication technologies, network technologies, smart identification technologies, and drive sector advancement, with a view to enabling consumers to enjoy their surroundings in a healthy, safe, convenient and comfortable manner. The fourth is the modern service sector, which comprises business units including, among others, industrial financing, science park development and property management.

The Group’s management firmly believes that by fully strengthening its corporate governance measures, focusing on promoting the development of its 3 main sectors (namely multimedia, smart appliance and intelligent systems technology), as well as through collaborative efforts in driving development of the modern service industry (including industrial financing, science park development and property management), Skyworth will be able to make better progress in accomplishing industrial transformation, technological upgrade and product renewal, thereby delivering sustainable and stable development.

CORPORATE GOVERNANCE STANDARDS

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

During the Current 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 2 independent non-executive Directors (who were the chairperson of the remuneration committee of the Company and the nomination committee of the Company) were unable to attend the annual general meeting of the Company held on 28 July 2017 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 2016/17.

AUDIT COMMITTEE

The Audit Committee was established by the Board since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited 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 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 in accounting and financial reporting functions of the Group;
(d) to discuss on the Group's internal audit plan with the Risk Management Department; and
(e) to meet and communicate with the external auditors for audit works of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "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.

INTERIM DIVIDEND

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 year (payment of HK9.6 cents per share for the six months ended 30 September 2016 and approximately HK$287 million was paid to the shareholders of the Company).

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 2017/18 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 Current Period.

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

Hong Kong, 21 November 2017

As at the date of this announcement, the Board of the Company 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 and Mr. Shi Chi as executive Directors; Mr. Yang Dongwen as non-executive Director; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as independent non-executive Directors.