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 2018

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$22,252 million, representing an increase of 3.6% compared to the same period of previous year.
- Sales of TV products and digital set-top boxes and LCD modules accounted for 57.7% and 18.2% of the Group's total revenue, respectively.
- Gross profit achieved HK$4,012 million, an increase by 18.5%. While the gross profit margin was 18.0%, representing an increase of 2.2 percentage points compared to the same period of previous year.
- Unaudited profit before and after non-controlling interests for the Current Period were HK$348 million and HK$250 million respectively as compared to loss of HK$189 million and HK$192 million over the same period of previous year respectively.
- Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period.

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 2018 ("**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 2018

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

	NOTE	Six months ended 30 September 2018 (unaudited)	Six months ended 30 September 2017 (unaudited)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(1,951)	348
Non-controlling interests		(56)	136
		(2,007)	484
Earnings (loss) per share (expressed in Hong Kong cents)			
Basic	7	8.25	(6.38)
Diluted	7	8.24	(6.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

Amounts expressed in millions of Hong Kong dollars

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

Amounts expressed in millions of Hong Kong dollars

	NOTES	As at 30 September 2018 (unaudited)	As at 31 March 2018 (audited)
Current Liabilities			
Trade and other payables	10	10,373	12,533
Bills payable	11	5,592	6,793
Derivative financial instruments		-	3
Contract liabilities		1,394	-
Provision for warranty		105	171
Amounts due to associates		17	29
Amount due to a non-controlling shareholder of a subsidiary		57	75
Tax liabilities		130	113
Borrowings		6,335	7,687
Deferred income		315	312
		24,318	27,716
Net Current Assets		10,739	12,134
Total Assets less Current Liabilities		26,144	26,025
Non-current Liabilities			
Other financial liabilities	10	193	202
Provision for warranty		145	82
Borrowings		1,295	1,635
Corporate bonds		2,267	2,481
Deferred income		728	804
Deferred tax liabilities		515	192
		5,143	5,396
NET ASSETS		21,001	20,629

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

Amounts expressed in millions of Hong Kong dollars

	As at 30 September 2018 (unaudited)	As at 31 March 2018 (audited)
Capital and Reserves		
Share capital	306	306
Share premium	3,599	3,599
Share option reserve	72	223
Share award reserve	5	-
Shares held for share award scheme	(125)	(134)
Investment revaluation reserve	-	26
FVTOCI reserve	2,310	-
Surplus account	38	38
Capital reserve	1,483	1,483
Exchange reserve	(1,018)	920
Accumulated profits	12,218	12,146
Equity attributable to owners of the Company	18,888	18,607
Non-controlling interests	2,113	2,022
	21,001	20,629

NOTES:

1. BASIS OF PREPARATION

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

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue and expenses during the reporting period.

The Group's operations are seasonal, the revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2018.

Change of financial year end date and presentation currency

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

Non-current assets held for sale

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

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

Application of new and amendments to HKFRSs and an interpretation

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

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

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

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

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

The Group recognises revenue from the following major sources:

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

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

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

2.1.2 Summary of effects arising from initial application of HKFRS 15

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

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

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

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

Impact on the condensed consolidated statement of financial position

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

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

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

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

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. Trade receivables arising from leases are initially measured in accordance with HKAS 17 *Leases* ("HKAS 17").

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

Classification and measurement of financial assets - continued

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

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

Equity instruments designated as at FVTOCI

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

Classification and measurement of financial assets - continued

Financial assets at FVTPL

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

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

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

Impairment under ECL model

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

<u>Impairment under ECL model</u> - continued

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

Significant increase in credit risk

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

Impairment under ECL model - continued

Significant increase in credit risk - continued

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

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

Measurement and recognition of ECL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

Impairment under ECL model - continued

Measurement and recognition of ECL - continued

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

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

2.2.2 Summary of effects arising from initial application of HKFRS 9

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

Notes:

(a) Available-for-sale investments

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

2.2.2 *Summary of effects arising from initial application of HKFRS 9* - continued

Notes: - continued

(b) Financial assets at FVTPL

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

(c) Impairment under ECL model

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs and an interpretation - continued

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

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

	31 March 2018 HK$ million (audited)	HKFRS 15 HK$ million	HKFRS 9 HK$ million	1 April 2018 HK$ million (restated)
Non-current Assets				
Available-for-sale investments	1,440	-	(1,440)	-
Equity instruments at FVTPL	-	-	458	458
Equity instruments at FVTOCI	-	-	4,060	4,060
Loan receivables	2	-	-	2
Deferred tax assets	496	-	49	545
Others with no adjustments	11,953	-	-	11,953
	13,891	-	3,127	17,018
Current Assets				
Trade and bills receivables	15,482	-	(33)	15,449
Available-for-sale investments	102	-	(102)	-
Held-for-trading investments	40	-	(40)	-
Financial assets at FVTPL	-	-	150	150
Loan receivables	3,334	-	(139)	3,195
Finance lease receivables	173	-	(1)	172
Others with no adjustments	20,719	-	-	20,719
	39,850	-	(165)	39,685
Current Liabilities				
Trade and other payables	12,533	(2,084)	-	10,449
Contract liabilities	-	2,084	-	2,084
Others with no adjustments	15,183	-	-	15,183
	27,716	-	-	27,716
Net Current Assets	12,134	-	(165)	11,969
Total Assets less Current Liabilities	26,025	-	2,962	28,987
Non-current Liabilities				
Deferred tax liabilities	192	-	477	669
Others with no adjustments	5,204	-	-	5,204
	5,396	-	477	5,873
NET ASSETS	20,629	-	2,485	23,114
Capital and Reserves				
Investment revaluation reserve	26	-	(26)	-
FVTOCI reserve	-	-	2,573	2,573
Accumulated profits	12,146	-	(62)	12,084
Others with no adjustments	8,457	-	-	8,457
	20,629	-	2,485	23,114

3. REVENUE

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

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

Disaggregation of revenue

For the six months ended 30 September 2018 (unaudited)

	TV products (PRC market) HK$ million	TV products (Overseas market) HK$ million	Digital set-top boxes and LCD modules HK$ million	White appliances HK$ million	Others HK$ million	Total HK$ million
Type of goods						
Manufacture and sales of TV	8,450	4,399	-	-	-	12,849
Manufacture and sales of digital set-top boxes	-	-	3,602	-	-	3,602
Manufacture and sales of LCD	-	-	450	-	-	450
Manufacture and sales of white appliances	-	-	-	1,587	-	1,587
Sales of properties	-	-	-	-	725	725
Others	-	-	-	-	2,647	2,647
	8,450	4,399	4,052	1,587	3,372	21,860

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

4. SEGMENT INFORMATION

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

For the six months ended 30 September 2018 (unaudited)

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

For the six months ended 30 September 2017 (unaudited)

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

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

Inter-segment revenue is charged at prevailing market rates.

5. INCOME TAX EXPENSE

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

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

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

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

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

PRC EIT is calculated at the prevailing PRC tax rates on the estimated assessable profits for both periods. Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

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

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

6. PROFIT (LOSS) FOR THE PERIOD

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

7. EARNINGS (LOSS) PER SHARE

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

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

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

The computation of diluted earnings per share for the six months ended 30 September 2018 does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share.

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

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

8. DIVIDENDS

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

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

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

9. TRADE AND BILLS RECEIVABLES

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

For sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days.

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

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

9. TRADE AND BILLS RECEIVABLES - 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:

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

Allowance for impairment

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

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

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

9. TRADE AND BILLS RECEIVABLES – continued

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

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

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

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

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

10. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES

(a) Trade and other payables

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

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

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

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

10. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES - continued

(b) Other financial liabilities

Movement in other financial liabilities is as follows:

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

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

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

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

10. TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES - continued

(b) Other financial liabilities - continued

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

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

11. BILLS PAYABLE

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

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

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

12. PLEDGE OF ASSETS

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

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

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

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

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

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

13. DISPOSAL OF A SUBSIDIARY

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

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

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

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

13. DISPOSAL OF A SUBSIDIARY - continued

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

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

Net cash inflow arising on disposal is as follows:

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

14. COMPARATIVE FIGURES

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

BUSINESS PERFORMANCE REVIEW

Moderate increase in revenue

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

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

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

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

- Total volume of activated internet TV: 31,421,677
- Smart TV weekly active volume: 15,214,668
- Smart TV daily active volume: 11,324,816

Revenue analysis by geography and product markets

<u>Mainland China Market</u>

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

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

TV products

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

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

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

Digital set-top boxes and LCD modules

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

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

White Appliances

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

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

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

Overseas Markets

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

TV products

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

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

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

Digital set-top boxes and LCD modules

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

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

Geographical distribution of revenue in overseas markets

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

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

Gross profit margin

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

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

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

Expenses

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

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

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

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

TREASURY POLICY

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

In addition, the Group holds the debt securities, equity securities (as below) and other financial instruments during the Current Period.

(a) Unlisted equity securities

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

(b) Listed equity securities

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

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

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 30 September 2018, the Group had about 36,000 employees in China (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 31 branches and 236 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in motivation and recognition of staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical commentaries on latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, provides guidance to position titles, salary norms, and gradually establishes a long-term centralised selection, training and development mechanism and a specified department to enhance the professionalism and leadership skills of senior personnel staff.

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

OUTLOOK

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

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

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

CORPORATE GOVERNANCE STANDARDS

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the Corporate Governance Code (the "**CG Code**") 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 provision A.6.7 of the CG Code as 2 independent non-executive Directors (who were the chairperson of the remuneration committee of the Company and the nomination committee of the Company respectively) were unable to attend the annual general meeting of the Company held on 2 August 2018 as they had other engagement.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's annual report 2017/18.

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;
(e) to review the continuing connected transactions;
(f) to review the whistleblowing policy; and
(g) to meet and communicate with the external auditors for audit works of the Group.

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 Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website (http://investor.skyworth.com/en/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company’s 2018/19 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, 27 November 2018

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, Mr. Shi Chi and Mr. Lin Jin as executive Directors; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as independent non-executive Directors.