SKYWORTH DIGITAL HOLDINGS LIMITED

（創維數碼控股有限公司*）

(incorporated in Bermuda with limited liability)

(Stock Code: 0751)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

SKYWORTH DIGITAL HOLDINGS LIMITED is an investment holding company with subsidiaries principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, and property holding.

Highlights of Results

The Group recorded the following results during the six months ended 30 September 2008 (the "Period"):

- Turnover reached HK$7,380 million (83.6% from mainland China market), an increase of 26.3% from that of the same period of previous year.
- Sales of TV products and digital set-top boxes accounted for 89.3% and 8.6% of the Group's total turnover respectively.
- Gross profit achieved HK$1,370 million, representing 18.6% of turnover, increased by 25.7% compared with that for the same period of previous year.
- Unaudited profit before minority interests for the Period was HK$115 million, a significant increase of 17.3%.
- The Board has declared an interim cash dividend of HK 1 cent per share.

The board of directors (the "Board") of Skyworth Digital Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008. These results have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED INCOME STATEMENT
Amounts expressed in HK$ million (except for share data)

	Notes	**Six months ended 30 September 2008 (unaudited)**	2007 (unaudited)
Turnover	*3*	**7,380**	5,841
Cost of sales		**(6,010)**	(4,751)
Gross profit		**1,370**	1,090
Other income		**153**	69
Exchange gains		**66**	18
Selling and distribution expenses		**(1,046)**	(797)
General and administrative expenses		**(295)**	(214)
Change in fair value of derivative financial instruments		**27**	(1)
Impairment losses recognised in respect of available-for-sale investments		**-**	(8)
Impairment losses and provision for onerous contracts	*7*	**(2)**	(57)
Finance costs		**(87)**	(21)
Gain on disposal of partial interest of a subsidiary	*5*	**-**	42
Share of results of jointly controlled entities		**6**	7
Profit before taxation		**192**	128
Income taxes	*6*	**(77)**	(30)
Profit for the period	*7*	**115**	98
Attributable to:			
Equity holders of the Company		**91**	98
Minority interests		**24**	-
		115	98
Dividends			
Paid	*8*	**-**	-
Proposed	*8*	**23**	11
Earnings per share			
Basic (HK cents)	*9*	**3.98**	4.28
Diluted (HK cents)	*9*	**3.98**	4.26

CONDENSED CONSOLIDATED BALANCE SHEET

Amounts expressed in HK$ million

	Notes	As at 30 September 2008 (unaudited)	As at 31 March 2008 (audited)
Non-current Assets			
Property, plant and equipment		**1,397**	1,282
Prepaid lease payments on land use rights		**230**	227
Interests in jointly controlled entities		**110**	59
Other receivable		**82**	-
Available-for-sale investments		**32**	39
Prepayment		**24**	27
Deferred tax assets		**8**	7
		1,883	1,641
Current Assets			
Inventories		**1,990**	1,913
Prepaid lease payments on land use rights		**5**	5
Trade and other receivables	*10*	**2,340**	1,808
Bills receivable	*11*	**3,843**	4,403
Derivative financial instruments		**15**	-
Amounts due from minority shareholders		**12**	12
Amounts due from jointly controlled entities		**17**	29
Pledged bank deposits		**1,145**	1,870
Bank balances and cash		**1,236**	1,389
		10,603	11,429
Current Liabilities			
Trade and other payables	*12*	**6,041**	5,171
Bills payable	*13*	**269**	105
Obligation arising from put option written to minority interests		**171**	156
Derivative financial instruments		**35**	106
Provision for warranty and onerous contracts		**79**	102
Amounts due to jointly controlled entities		**2**	1
Tax liabilities		**124**	105
Secured bank borrowings		**1,383**	3,052
Deferred income		**66**	59
		8,170	8,857
Net current assets		**2,433**	2,572
Total assets less current liabilities		**4,316**	4,213

	As at 30 September 2008 (unaudited)	As at 31 March 2008 (audited)
Non-current Liabilities		
Provision for warranty	**30**	33
Secured bank borrowings	**-**	83
Deferred income	**102**	102
Deferred tax liabilities	**60**	43
	192	261
NET ASSETS	**4,124**	3,952
Capital and Reserves		
Share capital	**228**	229
Share premium	**1,187**	1,196
Share option reserve	**79**	73
Investment revaluation reserve	**7**	13
Surplus account	**38**	38
Capital reserve	**178**	178
Exchange reserve	**472**	408
Accumulated profits	**1,904**	1,813
Equity attributable to equity holders of the Company	**4,093**	3,948
Minority interests	**31**	4
	4,124	3,952

Notes:

1. BASIS OF PREPARATION

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

The preparation of condensed consolidated financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2008.

The Group's operations are seasonal, the turnover from September to January, peak season for sales of consumer electronic products in mainland China, is relatively higher than 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 2008.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – INT 12	Service Concession Arrangements
HK (IFRIC) – INT 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible Hedged Items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 2 (Revised)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [2]
HK (IFRIC) – INT 13	Customer Loyalty Programmes [4]
HK (IFRIC) – INT 15	Agreements for the construction of Real Estate [2]
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation [5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for financial period commencing on or after 1 January 2009
[3] Effective for financial period commencing on or after 1 July 2009
[4] Effective for financial period commencing on or after 1 July 2008
[5] Effective for financial period commencing on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents the aggregate value of goods sold after goods returns, trade discounts and sales related taxes, and rental income from leasing of properties for the period.

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Sales of TV products	**6,590**	5,063
Sales of digital set-top boxes	**635**	528
Sales of mobile phones	**43**	148
Sales of other electronic products	**82**	76
Property rental income	**30**	26
	7,380	5,841

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group's operations can be categorised as follows:

TV products	- design, manufacture and sale of televisions
Digital set-top boxes	- design, manufacture and sale of digital set-top boxes
Mobile phones	- design, manufacture and sale of mobile phones
Other electronic products	- design, manufacture and sale of other products mainly relate to electronics
Property holding	- leasing of property

These operations are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	TV products (unaudited) *HK$ million*	Digital set-top boxes (unaudited) *HK$ million*	Mobile phones (unaudited) *HK$ million*	Other electronic products (unaudited) *HK$ million*	Property holding (unaudited) *HK$ million*	Eliminations (unaudited) *HK$ million*	Consolidated (unaudited) *HK$ million*
Six Months Ended 30 September 2008							
Turnover							
External sales and rental income	**6,590**	**635**	**43**	**82**	**30**	**-**	**7,380**
Inter-segment sales and rental income	**12**	**-**	**1**	**26**	**21**	**(60)**	**-**
Total	**6,602**	**635**	**44**	**108**	**51**	**(60)**	**7,380**

Inter-segment sales and rental income are charged at prevailing market rates.

	TV products	Digital set-top boxes	Mobile phones	Other electronic products	Property holding	Eliminations	Consolidated
Result							
Segment result	**192**	**116**	**8**	**19**	**9**		**344**
Interest income							**46**
Unallocated corporate expenses less income							**(117)**
Finance costs							**(87)**
Share of results of jointly controlled entities	-	-	-	**6**	-		**6**
Profit before taxation							**192**
Income taxes							**(77)**
Profit for the period							**115**

	TV products	Digital set-top boxes	Mobile phones	Other electronic products	Property holding	Eliminations	Consolidated
Six Months Ended 30 September 2007							
Turnover							
External sales and rental income	5,063	528	148	76	26	-	5,841
Inter-segment sales and rental income	8	-	1	13	8	(30)	-
Total	5,071	528	149	89	34	(30)	5,841

Inter-segment sales and rental income are charged at prevailing market rates.

	TV products	Digital set-top boxes	Mobile phones	Other electronic products	Property holding	Eliminations	Consolidated
Result							
Segment result	200	122	(62)	(73)	12		199
Interest income							8
Unallocated corporate expenses less income							(65)
Finance costs							(21)
Share of results of jointly controlled entities	-	-	-	7	-		7
Profit before taxation							128
Income taxes							(30)
Profit for the period							98

Geographical segments

The following is an analysis of the Group's turnover by the geographical market.

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
The People's Republic of China ("PRC")	**6,202**	5,303
America	**477**	114
Asia region (Other than PRC)	**194**	137
Europe	**368**	221
Other regions	**139**	66
	7,380	5,841

5. GAIN ON DISPOSAL OF PARTIAL INTEREST OF A SUBSIDIARY

In September 2007, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), a wholly-owned subsidiary of the Company, entered into sale and purchase agreements and related supplementary agreements with senior management and staff (the "Employees") of Skyworth Digital Technology (Shenzhen) Company Limited ("SDT"), a wholly-owned subsidiary of the Company, for disposal of, in aggregate, 12% of the equity interests in SDT to the Employees at cash consideration of HK$24 million which approximate the carrying amount of equivalent portion of the net asset value.

As stipulated in the supplementary agreements entered into between RGB and the Employees, the Employees are obliged to pay back RGB at 3 times of the consideration paid for acquiring the shares of SDT if they cease their employment services to SDT within 5 years after September 2007. In addition, pursuant to the supplementary agreements in November 2007, Employees have an option to sell back the shares to RGB at net asset value of the latest audited financial statements of SDT and RGB is obliged to buy back the shares of SDT from the Employees, when they cease their employment within 5 years after September 2007 and before the initial public offering of SDT shares.

The shortfall of cash consideration below the fair value of 12% SDT shares of HK$39 million represents fair value of future services to be rendered by the Employees is charged to profit or loss on a straight-line basis over the contractual service period of five years and is recognised as prepayment.

The gain on disposal of the partial interest in the subsidiary is determined as follows:

	HK$ million
Considerations received and receivable	24
Share-based payments recognised in prepayments	39
Carrying amounts of the SDT net assets disposed of	(21)
Gain on disposal	42

6. INCOME TAXES

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
The tax charge comprises:		
Hong Kong income tax		
Current period	**-**	-
Under provision in prior periods	**1**	-
	1	-
PRC income tax		
Current period	**65**	29
Under provision in prior periods	**-**	1
	65	30
Deferred taxation		
Current period	**11**	-
	77	30

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-09. Accordingly the Hong Kong Profits Tax rate applicable in the current period has been decreased from 17.5% to 16.5%.

No provision for Hong Kong Profits Tax has been made as the relevant entities comprising the Group have no assessable profits derived from or arising in Hong Kong for both periods presented.

PRC income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is the rate prevailing in the areas in which the Group operates.

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and exempted from PRC income taxes for the period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging (crediting) the following items:		
Release of prepaid lease payments on land use rights	**2**	1
Cost of inventories recognised as an expense	**5,989**	4,729
Depreciation and amortisation of property, plant and equipment	**91**	75
Exchange losses	**13**	3
Fair value adjustment upon initial recognition of other receivable	**29**	-
Loss on disposal of property, plant and equipment	**2**	5
Staff costs, including directors' emoluments	**516**	398
Impairment losses and provision for onerous contracts (*Note*):		
Impairment losses on trade receivables	**9**	26
Write-down of inventories	**6**	31
Reversal of provision on onerous contracts	**(13)**	-
	2	57
Interest income:		
Interest income from bank deposits	**(44)**	(8)
Imputed interest income from other receivable	**(2)**	-
	(46)	(8)
Rental income from leasing of properties less related outgoings of HK$21 million (2007: HK$22 million)	**(9)**	(4)

Note:

On 18 June 2008, the Group had entered into a sale and purchase agreement with two investors under which the Group agreed to sell and the investors agreed to purchase an aggregate of 80% equity interest in the Group's mobile phones operation. The transaction is not yet completed up to the balance sheet date as the relevant approval documents have not been granted by the PRC government authorities. During the period, the management reassessed the net realisable value of those purchase contracts previously provided as onerous contracts for this mobile phones operation and wrote back HK$13 million to the condensed consolidated income statement upon revision of the production plan of the mobile phones operation under the committed investments from the two incoming investors.

For the six months ended 30 September 2007, the amounts mainly represented impairment losses on trade receivables and inventories of one of the other electronic product divisions and mobile phones operation.

For the electronic product division, the management decided to cease the existing operation of this division during last period. The management decided that the recoverability of its accounts receivable was doubtful and the net realisable value of the remaining inventories was insignificant, full impairment had been made for all receivables and inventories of the division.

For the mobile phones operation, the management had reviewed the net realisable value of the existing inventories based on its business plan and estimated selling prices of respective models and made the appropriate impairment losses

8. DIVIDENDS

The Company did not make any payments of dividend during the period (for the six months ended 30 September 2007: Nil).

Subsequent to 30 September 2008 and on 29 October 2008, a dividend of HK4.5 cents per share amounting to HK$103 million was paid to shareholders as the final dividend for the year ended 31 March 2008.

The Board of Directors has resolved that an interim dividend of HK1 cent per share for the year ending 31 March 2009 to be paid to the shareholders of the Company whose names appear in the Register of Members on 23 January 2009.

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the equity holders of the Company)	**91**	98
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,284,315,896**	2,289,790,391
Effect of dilutive potential ordinary shares:		
- Share options granted	**3,372,987**	9,736,130
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,287,688,883**	2,299,526,521

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average fair value per share.

10. TRADE AND OTHER RECEIVABLES

Sales in the PRC are generally made by payment on delivery or against bills issued by banks with maturity dates ranging from 30 to 180 days. Sales to certain wholesalers in the PRC are settled within 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 certain sales of digital set-top boxes, the credit terms are ranging from 90 days to 270 days.

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

The following is an aged analysis of trade receivables, net of allowance for doubtful debt, at the balance sheet date:

	As at 30 September 2008 (unaudited) ***HK$ million***	As at 31 March 2008 (audited) *HK$ million*
Within 30 days	**1,112**	457
31 to 60 days	**243**	200
61 to 90 days	**104**	136
91 days or over	**423**	483
Trade receivables	**1,882**	1,276
Deposits, prepayments and other receivables	**458**	532
	2,340	1,808

11. BILLS RECEIVABLE

The maturity dates of bills receivable at the balance sheet date are analysed as follows:

	As at 30 September 2008 (unaudited) *HK$ million*	As at 31 March 2008 (audited) *HK$ million*
Within 30 days	**114**	230
31 to 60 days	**151**	174
61 to 90 days	**136**	209
91 days or over	**1,541**	1,041
Bills endorsed to suppliers	**1,843**	1,932
Bills discounted with recourse	**58**	817
	3,843	4,403

The carrying values of bills endorsed to suppliers and bills discounted with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group is still exposed to credit risk on these receivables as at balance sheet date. Accordingly, the associated liabilities, mainly borrowings and payables, are not derecognised in the condensed consolidated financial statements.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months at the balance sheet date.

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	As at 30 September 2008 (unaudited) *HK$ million*	As at 31 March 2008 (audited) *HK$ million*
Within 30 days	**1,597**	735
31 to 60 days	**353**	322
61 to 90 days	**305**	399
91 days or over	**212**	216
Trade payables under endorsed bills	**1,843**	1,926
Trade payables	**4,310**	3,598
Deposits in advance, accruals and other payables	**1,731**	1,573
	6,041	5,171

13. BILLS PAYABLE

The maturity dates of bills payable at the balance sheet date are analysed as follows:

	As at 30 September 2008 (unaudited) *HK$ million*	As at 31 March 2008 (audited) *HK$ million*
Within 30 days	**35**	24
31 to 60 days	**36**	26
61 to 90 days	**23**	-
91 days or over	**175**	55
	269	105

14. PLEDGE OF ASSETS

At 30 September 2008, the Group's bank borrowings were secured by the following:

(a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$60 million (31.3.2008: HK$61 million) and HK$23 million (31.3.2008: HK$23 million) respectively;

(b) bills receivable of nil (31.3.2008: HK$229 million); and

(c) bank deposits of HK$1,145 million (31.3.2008: HK$1,870 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$1,843 million (31.3.2008: HK$1,932 million) and HK$58 million (31.3.2008: HK$817 million) respectively as disclosed in note 11.

BUSINESS PERFORMANCE REVIEW

(1) Steady growth in turnover

The Group's turnover for the Period reached HK$7,380 million, representing a growth of 26.3% in comparison with the same period in the previous year, which was HK$5,841 million.

In a challenging era, the Group sustained remarkable growth in turnover attributed from the Group's mainland China television ("TV") and set-top boxes businesses. With market advantages including momentum driven by the mainland China government's continuous implementation of digital broadcasting, shifting demands of digital TVs (including high definition cathode ray tube ("CRT") and flat panel TVs), the Skyworth brand positioned a favourable rank in the mainland China high-ended TV products market. The improvements in production capacity and reduction of production costs set rooms for price cuts for TV and set-top boxes products. With effective controls on basis monitoring the gross profit margin not less than that of the same period of previous year, and through the use of low-cost-low-price strategy to effectively stimulate domestic and foreign sales, the Group's overall TV and digital set-top boxes sales had excellent growth.

(2) Turnover analysis by geographical segments and product segments

(a) Mainland China market

During the Period, the sales derived from the mainland China domestic market amounted to HK$6,172 million, representing 83.6% of its total turnover. Compared with HK$5,277 million sales in the same period of previous year, it represented a 17.0% growth.

As the core business of the Group, TV products held a predominant share of mainland China segment turnover, with sales accounted for 90.4%. The sales of digital set-top boxes represented 7.6% of total sales from the same segment. The rest of the turnover in the mainland China domestic market was attributable to the sales of other products, including mobile phones, electrical appliances, LCD modules and moulds, representing 2.0% of the segment turnover.

TV products

TV products in the mainland China domestic market constituted HK$5,577 million sales for the Period, representing 19.1% increment compared with that in the same period of previous year.

All View Consulting Ltd., a market research company, conducts regular research covering 230 major cities in mainland China, reported that for the period from October 2007 to September 2008, Skyworth's market share in terms of accumulated sales quantity and accumulated sales amount were 12.0% (ranked number 3) and 8.1% (ranked number 4), respectively. Skyworth's strategic market positioning in the high-end TV market as one of the crucial success factors enhanced the Group's achievement of steady growth in turnover and market share during the Period.

The evolutionary trend of digital broadcasting creates immense business opportunities in the high-end TV products market that endures the Group to further improve production technology and to reduce product unit cost; in result, stimulating the consumption power of the market. During the Period, about 1.4 million units of high-end TV products were sold, rose by 33.0% over the same period of previous year and accounted for 47.1% of the total sales volume of TV products, under Skyworth brand, in the mainland China market.

In addition, the following factors are also attributes to the growth of TV products turnover in the mainland China market:

- the allocation of best resources to promote icon product with value-added functions including 16:9, slim CRT TVs and CooCaa Multimedia TVs (the first "network content" TV available in the market);

- with the 2008 Beijing Olympics stimulus, seizing market share and gaining significant shares of domestic sales through brand-valued promotional campaigns;

- impose effective strategies to improve distribution policy management and maintain customer-oriented after-sales services to maintain gross profit margin and competitiveness in product pricing;

- effective co-operation with large-scale electronic chain stores as well as expanding distribution network to direct customers and project-based clients to facilitate sustainable competitiveness.

Digital set-top boxes

Benefiting from the increasing popularity of the digital broadcasting market and the expanding coverage, it was a period with significant growth in the sales of digital set-top boxes in the mainland China market. The periodic sales reached HK$470 million, representing a remarkable growth of 24.0% compared with HK$379 million recorded in the same period of previous year.

Whilst maintaining reasonable profit margin, the Group gained rapid access to new markets and expand market share through the means of appropriate price reduction strategies and introduction of mature high-definition set-top box products, along with increasing market demands during the Beijing Olympic Games, giving rises in domestic sales. Factors including the full digitisation transformation and media's use of Olympics as a mean of digital broadcasting promotion constitute the comprehensive growth in popularity and coverage of digital market, building the Group's confidence in the sales of digital set-top boxes in the long run.

Mobile phones

The Group's undergoing of the mobile business' share selling has caused slowing down of regular operation for the mobile phone product segment. Therefore, there was a significant dropped in related turnover during the Period amounted to HK$43 million. As disclosed as subsequent events in the annual consolidated financial statements at 31 March 2008, the disposal of 80% equity interest in mobile business to two incoming investors under the committed investments is not yet completed up to balance sheet date as the relevant approval documents have not been granted by the government authorities. Hence, the result of mobile business is consolidated into the Group's result during the Period.

(b) Overseas markets

Turnover for the overseas markets amounted to HK$1,178 million and accounted for 16.0% of the total turnover for the Period. Compared with HK$538 million turnover recorded in the same period of previous year, it represented a 119.0% significant increase.

TV products

The turnover of the TV products in overseas markets was primarily derived from the original equipment manufacturers ("OEM") customers. The amount for the Period was HK$1,013 million, accounted for 86.0% of the total overseas turnover, representing a 165.2% rapid increase compared with the same period of previous year.

After a series of organisation structure and operational procedure restructures, and through effective means of marketing strategies to upgrade the corporate image as the OEM provider for CRT TVs and flat panel TVs, the overseas business unit of the Group had a great leap forward in performance. The business unit has proven success in applying soft skills in governance including flexibility in operational management to effectively transform as a first-rated OEM and ODM servicing recognised by international brands, and hence to improve the unit's performance.

Digital set-top boxes

Turnover of set-top boxes in the overseas markets was HK$165 million during the Period, representing a 10.7% increase when compared with that in the same period of previous year. The continuous promotional and marketing effort, the strengthening reputation of the Group, as well as the cumulative business relationship with existing customers demonstrate the degree of recognition from the public on Skyworth digital set-top boxes. This broad recognition along with extensive and stable customer base provide a foundation for sustained growth.

Geographical distribution

The below analysis illustrates the geographical distribution of turnover to overseas markets in percentage:

	Six months ended 30 September	
	2008 (%)	2007 (%)
Europe	31	40
Asia (including Japan, Korea, Vietnam, etc.)	17	25
America	40	22
Middle East	7	7
Africa	3	5
Australia and New Zealand	2	1
	100	100

During the Period, the shift of major customers' export marketing strategy penetrated the Group's regional sales distribution. Asia, Europe, and America remained as the Group's dominant overseas market, with aggregated 88% of total overseas turnover. In addition, other areas also reported significant increases during the Period.

(3) Gross margin

The overall gross margin of the Group for the Period was 18.6%, which representing a slip of 0.1 percentage points in comparison to the same period of previous year.

In management's opinion, maximising stakeholders' interests is most effective through enforcing gross margin measures, imposing positive impacts on overall selling and cost controlling. In confronting market changes, it is necessary to put more effort to lower production costs to maintain a profitable gross margin. Consequent sales volume of TV products, driven by reasonable price and continuous consumer demands, was increased at 30.2% to more than 1.4 million units during the Period. Although flat panel TV products continued to play an important role in stimulating TV products sales, the Group expected increasing needs of incurring extra technological costs and risks of economic downturns hurdles the business environment, and the market competition would become more intense in the upcoming period.

(4) Increase in selling and distribution expenses

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, salaries of the sales and marketing personnel, and transportation expenses. Over the Period, the expenses rose to HK$1,046 million, which equals to an increase of 31.2% or HK$249 million when compared to the same period of previous year. When interpreting the S&D expenses to turnover, it is only a slightly increment of 0.6 percentage points from 13.6% to 14.2%.

In line with the Group's promotion and marketing campaigns including three "million-budgeted" projects and "2008 Beijing Olympics Store Image Transformation" project in mainland China, the related expenditure was HK$172 million more than that of the same period previous year. Other factors contributed to the substantial increase in S&D expenses burden were implementation of the "new labor law" in mainland China and increase in warehouse rent reflecting from last period's logistic reform.

The management's distinct efforts on its commitment on product improvement and continuously assessments on product quality measures shows accomplishments from utilisation of reliable raw materials on different product groups to reduce the defective rate, production costs and overall warranty allowance of TV products. Such measures give assurance in management's ability to apply new perceptions to achieve long term gains including profitability and branded product reliability.

(5) Increase in general and administrative expenses

When compared with the same period of previous year, the Group's general and administrative ("G&A") expenses for the Period rose significantly by HK$81 million or 37.9% to HK$295 million. The G&A expenses to turnover for the Period is unchanged.

The main factors contributing to the increase in G&A expenditure during the periods are increasing research and development costs as well as the implementation of the "new labor law" in mainland China which led to a substantial increase in employee related costs. The management applied rigorous means of controls to balance the use of resources so that the Group be strengthened with well-equipped human capital and smooth operations.

(6) Inventory control

As at 30 September 2008, the net carrying value of the Group's inventories reached HK$1,990 million, representing an increase of HK$77 million or 4.0% as compared with the balance as at 31 March 2008 and an increase of HK$78 million or 4.1% as compared with the balance as at 30 September 2007.

With exposure to changes in operating environment and product structure, the Group strived to stringent inventory control over logistics and supply-chain management, and to remain vigilant against the risk of slow-moving and obsolete inventories.

To ensure flexibility of working capital and effectiveness of the inventory control, the following courses of actions were adhered:

- Devise detailed production plan – through experience and internal discussion, the management gathered comprehensive information on market demand, supply of raw materials, status of the production lines to successfully sustain an inventory level that ensured smooth production and prevent risk of overstock.

- Define Key Performance Indicators ("KPI") – The performance of senior management from the business units are evaluated using status of inventory including inventory turnover days, incidence of raw material shortage, and provision for inventory. The metric measurement aligns the interests of the business units' management with those of the Group as a whole.

- Establish centralised logistics centre – By undertaking the sales data, the Group adjust the product supply level according to sales performance and developed a network hub with logistics centers in prime locations to minimise risk of slow-moving and obsolete inventory, and to ensure smooth supply of goods to shops with satisfactory selling results.

As at 30 September 2008, the inventory turnover days (calculated with reference to the average inventory balances net of provision) for raw materials and finished goods were 18 days and 36 days, respectively; while as at 31 March 2008 the turnover days were 17 days and 36 days, respectively. The slight increase reflects the increase in the Period.

(7) Trade receivables and bills receivable

At 30 September 2008, trade receivables and bills receivable of the Group amounted to HK$1,882 million and HK$3,843 million, respectively, and HK$5,725 million in total. As compared with that at 31 March 2008, the amount of trade receivables was increased by HK$606 million or 47.5%, whilst the amount of bills receivable was reduced by HK$560 million or 12.7%. Trade receivables of the Group as at September each year is generally more than that at March, as supported by the normal seasonal impact from higher sales achieved in September for the October National Day Golden Week in mainland China.

Compared with the amounts of trade receivables and bills receivable of the Group as at 30 September 2007, this Period has an increase of HK$507 million and HK$982 million, respectively. The increase in total receivables of HK$1,489 million or 35.2% was mainly owing to the overall increase in sales during the Period and the recent expansion of the digital set-top box segments in which customers required longer credit terms. In general, as recoverability of bills receivable is higher, higher bills receivables in proportion to total receivables may reduce potential risks arising from doubtful debts.

(8) Trade payables and bills payable

At 30 September 2008, trade payables and bills payable of the Group amounted to HK$4,310 million and HK$269 million, respectively. As compared with that at 30 September 2007, the trade payable grew by HK$1,183 million or 37.8%, and the amount of bills payable grew by HK$209 million. Compared with the amounts at 31 March 2008, the amounts of trade payable and bills payable were increased by HK$712 million and HK$164 million, respectively. Although cost of raw material is lower during the Period, an increase in the inventory level was necessary as the sales volume also increased during the Period and consequently, the corresponding increase was noted in the trade payable balances.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

Standing in a strong financial position, the Group had bank balances and cash of HK$1,236 million as at 30 September 2008, representing an increase of HK$405 million from the same period of previous year, and a decrease of HK$153 million when compared with that at 31 March 2008; whilst the pledged bank deposits amounted to HK$1,145 million at 30 September 2008, representing an increase of HK$175 million from the same period of previous year, whereas an decrease of HK$725 million from that at 31 March 2008, respectively. Due to the maturity of most financial arrangements with financial institutions in the mainland China, the pledged bank deposits amount dropped as compared with previous period.

The balance of financial liabilities, mainly the discounted bills with recourse, amounted to HK$58 million and HK$817 million recorded at 30 September 2008 and at 31 March 2008, respectively. Such discounted bills receivable with recourse would be released upon maturity.

At 30 September 2008, the Group has utilised certain trade facilities and loans granted from various banks were secured by certain assets of the Group, including bank deposits of HK$1,145 million and certain of the Group’s land and properties in the mainland China and Hong Kong with net book value of HK$83 million.

The gearing ratio of the Group, calculated with reference to the total bank borrowings of HK$1,383 million (including discounted bills with recourse and foreign exchange arrangements amounted to HK$58 million and HK$1,020 million respectively) and shareholders’ fund of HK$4,093 million, was 33.8% at 30 September 2008. Such gearing ratio reported a decrease of 45.6 percentage points from that at 31 March 2008. Should the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements not been taken into account, such ratio would be 7.5%, which is 8.0 percentage points lower than the same ratio from 31 March 2008. In comparison with companies operated in the same industry, the Group maintained a healthy gearing position at 30 September 2008.

TREASURY POLICY

The Group’s investments are mostly in mainland China and its main revenue stream generates mainly Renminbi. Other than Renminbi, other Group’s assets and liabilities are mainly denominated either in

Hong Kong dollars or in US dollars. During the Period, the Group had recognised HK$53 million net gain from foreign exchange.

In consideration of foreign currency fluctuations and market anticipation of the Renminbi appreciation, the Group engaged in Renminbi non-deliverable forward contracts ("NDF") with various approved commercial banks in mainland China. The purpose of such easily accessible financial instruments was to act as a natural hedging tool designed to reduce exposure on potential currency risks and lock the return by fixing the desired exchange rate. Terms of the contracts included borrowing US dollars bank loans at predetermined forward rates and at the same time securing such loan principal plus related interest costs by amount equivalent in Renminbi as the underlying in form of fixed deposit for the same length of period.

As at 30 September 2008, the Group's pledged bank deposit amount and secured bank loan amount related to NDF recorded a significant decline to HK$1,072 million and HK$1,020 million respectively. Related interest income to deposits amounted HK$36 million, finance cost to loan amounted HK$54 million, foreign exchange gain amounted HK$40 million, and gains from changes in fair value of NDF amounted HK$27 million.

SIGNIFICANT INVESTMENTS AND ACQUISTITION

During the Period, the Group invested HK$113 million in mainland China mainly for production plant and the ongoing logistic centers constructions. The Group also invested RMB 25 million (equivalent to HK$39 million) for setting up of a 50% owned jointly controlled R&D centre principally engaged in the business of research and development on LCD modules; and spent approximately HK$67 million on acquisition of other property, plant and equipment.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2008.

HUMAN RESOURCES CAPITAL

At of 30 September 2008, the Group had a dedicated team of approximately 25,000 employees in Hong Kong and mainland China, including salespersons spread throughout 40 branch offices and 170 sales offices. Management reserved proportionate resources in reinforcing the team to sustain the Skyworth's brand success by continuous attracting skillful experts from the workforce and retaining existing talents within the Group. The stable and extensive human resources capital led to optimisation in performance and enhanced long-term plans execution.

Details of the remuneration policy of the directors and employees of the Group, and the duties and work performed by the Remuneration Committee and the Nomination Committee were disclosed in the "Corporate Governance Report" of the Company's annual report 2007/08.

OUTLOOK

The year of 2008 generated some negative sentiments, deteriorating the global business environment. In the global economic downturn, the Chinese government's expansion of medium and long term subsidy campaigns to encourage internal consumptions in the cities and farming areas demonstrates its determination in posing positive economic growth. Nonetheless, the mainland China market has been the principal market focus of the Group's business operations. With consolidation of resources in the mainland, the Group is now at advantages as its strong cash position has put on strong footing to such opportunities, lessening possible adverse impacts from overseas TV market downturn and fluctuation in foreign currencies triggered by recent financial crisis.

In view of the dampened economic climate, the remaining year is full of challenges. Whilst every effort is made to accomplish the annual TV sales volume target, management will monitor the market situation closely to determine whether the target is realistic. In the long run, the management is devoted to exercise prudent measures to financial management to ensure the Group remains in a healthy financial position with low gearing. The Group also aims to maintain high liquidity through a series of object-oriented precautionary measures including execute strict cost controls, suspend all new investment projects that have low economic value to existing businesses, and further improve Group's working capital management.

CORPORATE GOVERNANCE STANDARDS

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

During the Period and up to the date of this report, the Company actively responded to the deviations with the Code that were existed within the Group during the year ended 31 March 2008 as described in the "Corporate Governance Report" of the Company's annual report 2007/08.

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's annual report 2007/08.

AUDIT COMMITTEE

The Audit Committee was established by the Board since the initial listing of the Company's shares on the Stock Exchange on 6 April 2000. The Audit Committee comprises three members, Mr. So Hon Cheung, Stephen (Chairman), Mr. Li Weibin and Mr. Xie Zhengcai, all of whom are independent non-executive directors of the Company.

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

(a) reviewed and commented on the Company's draft annual and interim financial reports;

(b) commented on the Company's corporate governance practices and the Group's systems of internal control;

(c) discussed on the Group's internal audit plan with the Risk Management Department; and

(d) met with the external auditor.

An audit committee meeting was held on 8 December 2008 to review the Group's unaudited interim financial statements for the six months ended 30 September 2008. Deloitte Touche Tohmatsu, the Group's external auditor, have carried out a review of the Group's unaudited interim financial information for the six months ended 30 September 2008, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE

The Company has adopted a 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 of the Company, 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 transaction by directors adopted by the Company throughout the six months ended 30 September 2008.

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

During the six months ended 30 September 2008, the Company purchased a total of 11,472,000 of its listed shares on the Stock Exchange at an aggregate consideration of HK$9,736,020. Details of the repurchases are summarised as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	HK$	HK$
April 2008	2,000	0.72	0.72	1,440
May 2008	11,470,000	0.88	0.76	9,734,580
	11,472,000			9,736,020
	========			========

All of the shares repurchased were cancelled during the six months ended 30 September 2008 and the issued share capital of the Company was reduced by the par value thereof. The shares were repurchased to enhance the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board of the Company has resolved to pay an interim dividend for the six months ended 30 September 2008 of HK1 cent (2007: HK0.5 cent) per ordinary share, totaling approximately HK$23 million (2007: HK$11 million) to the shareholders of the Company on or around 12 February 2009 whose names appear on the register of members of the Company at the close of business on 23 January 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 January 2009 to Friday, 23 January 2009, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 12 February 2009, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 16 January 2009.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

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

For and on behalf of the Board
Skyworth Digital Holdings Limited
Zhang Xuebin
Executive Chairman & CEO

Hong Kong, 10 December 2008

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Xuebin as executive chairman of the Board and chief executive officer, Ms. Ding Kai, Mr. Leung Chi Ching, Frederick, Ms. Lin Wei Ping and Mr. Yang Dongwen as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Xie Zhengcai as independent non-executive directors.

** For identification purpose only*