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 2009

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 achieved unprecedented success in the six months ended 30 September 2009 (the "Period"). It recorded superb results for the Period which are summarised as follows:

- Turnover substantially increased 35.7% from that of the same period last year, reached HK$10,013 million (89.7% from mainland China market).

- Sales of television ("TV") products and digital set-top boxes accounted for 90.1% and 8.2% of the Group's total turnover, respectively.

- Gross profit increased 66.6% from the same period of previous year, achieved HK$2,272 million, which represented 22.7% of turnover.

- Unaudited profits before non-controlling interests significantly increased by 429.6% to HK$609 million.

- The board of directors (the "Board") announced to declare an interim cash dividend of HK8 cents per share with an option to elect new shares in lieu of cash.

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 2009. These results have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	**Six months ended 30 September** **2009** ***(unaudited)***	2008 *(unaudited)*
Turnover	*3*	**10,013**	7,380
Cost of sales		**(7,741)**	(6,016)
Gross profit		**2,272**	1,364
Other income		**111**	153
Exchange gains		**17**	66
Selling and distribution expenses		**(1,278)**	(1,046)
General and administrative expenses		**(321)**	(291)
Change in fair value of derivative financial instruments		**(25)**	27
Finance costs		**(34)**	(87)
Share of results of jointly controlled entities		**6**	6
Profit before taxation		**748**	192
Income taxes	*5*	**(139)**	(77)
Profit for the period	*6*	**609**	115
Other comprehensive income			
Exchange differences arising on translation to Group's presentation currency		**2**	73
Surplus (deficit) on revaluation of available-for-sale investments		**1**	(6)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**-**	(7)
Other comprehensive income for the period		**3**	60
Total comprehensive income for the period		**612**	175
Profit for the period attributable to:			
Owners of the Company		**573**	91
Non-controlling interests		**36**	24
		609	115
Total comprehensive income for the period attributable to:			
Owners of the Company		**576**	149
Non-controlling interests		**36**	26
		612	175

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	**Six months ended 30 September**	
		2009	2008
		(unaudited)	*(unaudited)*
Earnings per share (expressed in HK cents)			
Basic	*7*	**24.83**	3.98
Diluted	*7*	**24.02**	3.98

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts expressed in HK$ million

	Notes	**As at 30 September 2009** ***(unaudited)***	As at 31 March 2009 *(audited)*
Non-current assets			
Property, plant and equipment		**1,477**	1,433
Investment properties		**6**	-
Prepaid lease payments on land use rights		**231**	234
Interests in jointly controlled entities		**118**	113
Interest in an associate		-	-
Other receivable		**87**	84
Available-for-sale investments		**30**	29
Prepayment		**16**	20
Deferred tax assets		**15**	31
		1,980	1,944
Current assets			
Inventories		**2,737**	1,267
Prepaid lease payments on land use rights		**5**	5
Trade and other receivables	*9*	**3,191**	1,759
Bills receivable	*10*	**5,057**	4,539
Amounts due from shareholders of non-controlling interests		**1**	1
Amounts due from jointly controlled entities		**10**	9
Pledged bank deposits		**2,071**	154
Bank balances and cash		**1,799**	1,385
		14,871	9,119
Current liabilities			
Trade and other payables	*11*	**5,882**	4,322
Bills payable	*12*	**1,072**	191
Obligation arising from put option written to non-controlling interests		**186**	24
Derivative financial instruments		**27**	1
Provision for warranty		**33**	36
Amounts due to jointly controlled entities		**4**	12
Tax liabilities		**145**	125
Secured bank borrowings		**3,992**	1,429
Deferred income		**70**	68
		11,411	6,208
Net current assets		**3,460**	2,911
Total assets less current liabilities		**5,440**	4,855

	As at 30 September 2009 *(unaudited)*	As at 31 March 2009 *(audited)*
Non-current liabilities		
Obligation arising from put option written to non-controlling interests	**-**	154
Provision for warranty	**29**	31
Deferred income	**202**	201
Deferred tax liabilities	**96**	65
	327	451
NET ASSETS	**5,113**	4,404
Capital and reserves		
Share capital	**237**	228
Share premium	**1,279**	1,188
Share option reserve	**88**	84
Investment revaluation reserve	**4**	3
Surplus account	**38**	38
Capital reserve	**216**	202
Exchange reserve	**489**	487
Accumulated profits	**2,682**	2,123
Equity attributable to owners of the Company	**5,033**	4,353
Non-controlling interests	**80**	51
	5,113	4,404

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 34 ("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 2009.

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 2009.

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 2009. During the current period, the Group has adopted the following accounting policy for investment properties.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation. Subsequent to the change, the property is stated at deemed cost, equivalent to the carrying amount of the property at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programme
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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 or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2010
[6] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are 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 the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and 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	
	2009	2008
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Sales of TV products	**9,004**	6,590
Sales of digital set-top boxes	**821**	635
Sales of other electronic products	**142**	125
Property rental income	**46**	30
	10,013	7,380

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. TV products, Digital set-top boxes, other electronics products, property holding). However, information reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment had further categorised the Group's reportable and operating segments as follows:

1. TV products (PRC market)	- design, manufacture and sale of televisions in The People's Republic of China ("PRC")
2. TV products (overseas market)	- design, manufacture and sale of televisions in overseas market
3. Digital set-top boxes	- design, manufacture and sale of digital set-top boxes
4. Other electronic products	- design, manufacture and sale of other products mainly relate to electronics
5. Property holding	- leasing of property

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six Months Ended 30 September 2009

	TV products (PRC market) (unaudited) HK$ million	TV products (Overseas market) (unaudited) HK$ million	Digital set-top boxes (unaudited) HK$ million	Other electronic products (unaudited) HK$ million	Property holding (unaudited) HK$ million	Eliminations (unaudited) HK$ million	Consolidated (unaudited) HK$ million
Revenue							
External sales and rental income	**8,374**	**645**	**821**	**142**	**31**	**-**	**10,013**
Inter-segment sales and rental income	**66**	**-**	**-**	**103**	**23**	**(192)**	**-**
Total	**8,440**	**645**	**821**	**245**	**54**	**(192)**	**10,013**

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

Result							
Segment result	**647**	**9**	**137**	**29**	**13**	**-**	**835**
Interest income							**22**
Unallocated corporate expenses less income							**(81)**
Finance costs							**(34)**
Share of results of jointly controlled entities							**6**
Profit before taxation							**748**
Income taxes							**(139)**
Profit for the period							**609**

Six Months Ended 30 September 2008

	TV products (PRC market) (unaudited) HK$ million	TV products (Overseas market) (unaudited) HK$ million	Digital set-top boxes (unaudited) HK$ million	Other electronic products (unaudited) HK$ million	Property holding (unaudited) HK$ million	Eliminations (unaudited) HK$ million	Consolidated (unaudited) HK$ million
Revenue							
External sales and rental income	5,539	1,051	635	125	30	-	7,380
Inter-segment sales and rental income	12	-	-	27	21	(60)	-
Total	5,551	1,051	635	152	51	(60)	7,380

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

Result							
Segment result	194	(2)	116	27	9	-	344
Interest income							46
Unallocated corporate expenses less income							(117)
Finance costs							(87)
Share of results of jointly controlled entities							6
Profit before taxation							192
Income taxes							(77)
Profit for the period							115

Segment profit represents the profit earned by each segment without allocation of corporate expenses less income, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment.

5. INCOME TAXES

	Six months ended 30 September	
	2009	2008
	(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	**93**	65
Deferred taxation		
Current period	**46**	11
	139	77

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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**7,676**	5,989
Depreciation and amortisation of property, plant and equipment	**96**	91
Exchange losses	**9**	13
Fair value adjustment upon initial recognition of		
- other receivable	**-**	29
- trade receivable from sale on instalment basis	**7**	-
(Gain) loss on disposal of property, plant and equipment	**(1)**	2
Impairment losses on trade receivables	**10**	9
Interest income:		
Interest income from bank deposits	**(17)**	(44)

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Imputed interest income from		
- other receivable	**(3)**	(2)
- trade receivable from sale on instalment basis	**(2)**	-
	(22)	(46)
Release of prepaid lease payments on land use rights	**2**	2
Rental income from leasing of properties less related outgoings of HK$18 million (2008: HK$21 million)	**(28)**	(9)
Reversal of impairment losses recognised in respect of available-for-sale investments	**(2)**	-
Reversal of provision on onerous contracts	**-**	(13)
Staff costs, including directors' emoluments	**699**	516
Write-down of inventories	**47**	6

7 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**573**	91
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,307,533,778**	2,284,315,896
Effect of dilutive potential ordinary shares:		
- Share options granted	**77,641,009**	3,372,987
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,385,174,787**	2,287,688,883

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

8. DIVIDENDS

The Company did not make any payments of dividend during the period (for the six months ended 30 September 2008: Nil).

Subsequent to 30 September 2009 and on 22 October 2009, a dividend of HK7 cents per share totally amounting to HK$165 million (2008: HK$103 million) was paid to shareholders as the final dividend for the year ended 31 March 2009. Of such final dividend, amounting to HK$125 million (2008: Nil) was satisfied by way of scrip dividend by an allotment of new shares of the Company to be credited as fully paid.

The Board of Directors has resolved that an interim dividend of HK8 cents 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 December 2009 with an option to elect new shares in lieu of cash.

9. TRADE AND OTHER RECEIVABLES

Sales to certain wholesalers in the PRC are on credit term of one to two months. Other sales in the PRC are made by either payment on delivery or against bills issued by banks with maturity dates ranging from 30 to 180 days. 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. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

Export sales of the Group are mainly 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 reporting date:

	As at 30 September 2009 (unaudited)	As at 31 March 2009 (audited)
	HK$ million	*HK$ million*
Within 30 days	**1,967**	571
31 to 60 days	**157**	170
61 to 90 days	**51**	112
91 to 365 days	**218**	446
Over 365 days	**106**	104
Trade receivables	**2,499**	1,403
Deposits, prepayments and other receivables	**692**	356
	3,191	1,759

10. BILLS RECEIVABLE

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

	As at 30 September 2009 (unaudited) *HK$ million*	As at 31 March 2009 (audited) *HK$ million*
Within 30 days	**271**	285
31 to 60 days	**154**	296
61 to 90 days	**210**	556
91 days or over	**1,778**	1,252
Bills endorsed to suppliers with recourse	**655**	993
Bills discounted with recourse	**1,989**	1,157
	5,057	4,539

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 reporting 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 reporting date.

11. TRADE AND OTHER PAYABLES

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

	As at 30 September 2009 (unaudited) *HK$ million*	As at 31 March 2009 (audited) *HK$ million*
Within 30 days	**2,266**	1,016
31 to 60 days	**669**	423
61 to 90 days	**277**	265
91 days or over	**120**	168
Trade payables under endorsed bills	**655**	991
Trade payables	**3,987**	2,863
Deposits in advance, accruals and other payables	**1,895**	1,459
	5,882	4,322

12. BILLS PAYABLE

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

	As at 30 September 2009 (unaudited) *HK$ million*	As at 31 March 2009 (audited) *HK$ million*
Within 30 days	**421**	64
31 to 60 days	**459**	18
61 to 90 days	**51**	45
91 days or over	**141**	64
	1,072	191

13. PLEDGE OF ASSETS

At 30 September 2009, 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$124 million (31.3.2009: HK$61 million) and HK$111 million (31.3.2009: HK$22 million) respectively;

(b) bank deposits of HK$2,071 million (31.3.2009: HK$154 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$655 million (31.3.2009: HK$993 million) and HK$1,989 million (31.3.2009: HK$1,157 million) respectively as disclosed in note 10.

BUSINESS PERFORMANCE REVIEW

(1) Record growth in turnover

The Group's turnover for the Period soared 35.7%, from HK$7,380 million same period last year to HK$10,013 million.

The Group's leading industrial skills, differentiation in product functions, excellent product structures, nationwide sales distribution network channels, as well as flexible marketing and promoting strategies contributable to its core business as the leading TV manufacturer of the domestic mainland China market manifested the success in building a significant growth in turnover during the Period. The China government's extensive subsidy policies such as the "Home Appliances to the Countryside" commenced nationwide in February 2009 and the "Swapping Old to New" programmes recently started its pilot run to stimulate domestic economy were also contributory factors to the turnover growth. The gradual fall in LCD TV retail prices broadened its popularity across China, and the distribution momentum swung quickly towards third and fourth tier cities. The Group closely accorded with government regulations in promoting electronic waste management, energy-saving subsidy and high-definition channel expansion, to achieve Group's a healthy and wonderful life mission, differentiating a distinct digital audio-visual experience.

(2) Turnover analysis by geographical segments and product segments

(a) Mainland China market

The mainland China domestic market derived 89.7% of the Group's total turnover. For the Period, this sector attained a 45.5% growth in turnover, from HK$6,172 million the same period last year to HK$8,982 million.

TV products constituted the Group's core business and generated 93.5% of the overall turnover in mainland China. Digital set-top boxes yielded 4.9% of the overall turnover in the same market. Other products attributed to the remaining 1.6% turnover in this market including LCD modules, moulds, audio-visual and electrical appliances businesses.

<u>*TV products*</u>

The Group focused on high-end TV market, and recognized the degree of penetration across China as one critical key to success, and concerted constant effort to develop the core business. During the Period, the TV products in the domestic market strove up 50.7% from the same period last year to HK$8,402 million sales, achieving a double success in revenue as well as market share. From the September 2009 market survey from All View Consulting Ltd, a reputable market researcher, covering the period between October 2008 and September 2009 across 312 major cities and 3,308 retail terminals in mainland China, Skyworth stroked first in cumulative sales volume, equivalent to 15.1% of total market share, and second in cumulative sales amount, equivalent to 12.6% of total market share.

Extensive domestic LCD TVs consumption led to rapid contraction of traditional cathode ray tubes ("CRT") TV market. The Group focused on further sales channeling by "products, services, brand effects, and industrial trends to the countryside" to entrench the market-oriented product mix with composition completely concentrated on LCD TVs. As a result, over 2.7 million high-end TV sets under Skyworth brand were sold in the domestic market, equivalent to more than 96.0% of the same period last year, accounting for 84.2% of the total domestic TV sales volume. The Group adhered to product- and market-oriented development of leading-edge products, which is the fundamental to obtain a dominating market position in the long run.

Other key factors contributing to the improvement of TV products turnover including:

- allocating best resources to pioneer leading icon products that were well received by the market, including the Skyworth online CooCaa TV (the first available Network TV integrating online multimedia entertainment functions, presenting CooCaa Movie and CooCaa OK) and light-emitting diode ("LED") backlight TV series;

- researching on energy-saving LCD TVs to enhance Group image in corporate environmental responsibility;

- attaining accreditations such as industrial awards and overall consumer recognitions to enhance business growth through brand value upgrades;

- enhancing bargaining power of raw material procurement, improving product cycle and pricing, maintaining effective chain support and cost controls through vertical integration to maintain competitiveness; and,

- deriving synergy from strategic partnerships to pursue business growth in collaboration to achieve overall improvement within same industry.

Digital set-top boxes

The digital set-top boxes turnover in mainland China slipped 6.0% from HK$470 million sales in the same period last year to HK$442 million. The slight decrease was attributed to the business unit's slight adjustments towards its distribution targets to achieve a better financial position during the Period.

The domestic demand for digital set-top boxes remained stable during the Period. Although market capacity was expected to remain constant, the market benefited from the China government's effort to promote high-definition broadcasting, building the Group's confidence with further expansion opportunities. With stable market share, the Group maintained a leading position in the market, enhancing the development of better products with value added features such as invention patented energy-saving products.

LCD Modules

With LCD technology becoming mature and LED backlight technology gaining nation-wide acceptance, the Group seized opportunities from its successful structural shift, expanding its strategic position with key global players as their original equipment manufacturing ("OEM") provider for LCD modules. Besides providing OEM services on small LCD modules specifically for mobile phones, the Group also extended its product range to include LCD modules and LED backlight modules for TV to meet internal and external demands.

The increasing popularity of LCD products uplifted economies of scale, creating greater spans for profitability. During the Period, the business unit had outstanding performance, with new customer development and commencing production plant operation, resulting in HK$ 16 million growth in turnover, or 25.6% from the same period last year.

(b) Overseas market

The sales generated from overseas markets accounted for HK$1,000 million, or 10.0% of the total turnover for the Period, which slipped 15.1% from HK$1,178 million as stated in the interim report last year.

TV products

The sales amount of overseas TV products for the Period was HK$617 million, or 61.7% of the total overseas turnover, slipping 39.1% from the same period last year.

The overseas TV sales laid foundation on the long-term relationships with international major TV brand names through providing internationally recognized leading OEM and original design manufacturing ("ODM") services for TV products in overseas markets. In consideration of the market transformation from the phasing-out CRT TV market, the business unit was in the process of rebuilding a better customer base, which was necessary to optimize operation through consolidating best resources integration to enhance profitability, causing the slowing sales during the Period. The increase in gross margin reflected an initial success of the structural integration with gradual business convergence.

Digital set-top boxes

The sales amount of overseas set-top boxes for the Period increased 130.3% to HK$380 million from the same period last year.

The Skyworth digital set-top boxes' better recognitions from existing and new customers guaranteed sustainable growth during the Period. Increasing efforts in the rising overseas markets put the business unit into a better financial position as a whole. Great breakthroughs from the soaring demands in European retail market and the high-record growth in new distribution markets expansion such as India and Latin America all contributed to the substantial progress.

Geographical distribution

During the Period, the arising overseas digital set-top boxes sales countered falling overseas TV sales rebalanced the major regional distribution markets. Nonetheless, Asia, Europe, and America remained as the Group's dominant overseas market, with aggregated 87% of total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2009 (%)	2008 (%)
Europe	34	31
Asia (including Japan, Korea, Vietnam, etc.)	23	17
America	30	40
Middle East	5	7
Africa	6	3
Australia and New Zealand	2	2
	100	100

(3) Gross margin

For the Period, the Group witnessed a meaningful growth in overall gross margin of 4.1 percentage points to 22.7% in comparison to the same period last year.

The major improvement in gross margin came from all business units' effort in improving productivity and reducing production costs. The mainland China and overseas TV gross margin achieved 3.5 percentage points and 2.3 percentage points increases, respectively; while digital set-top boxes slipped by 2.0 percentage points and other products business units increased 12.0 percentage points in gross margin.

The Group evaluated the rapid changing market caused by drastic transformation in LCD technologies, strengthened cost management controls, executed effective gross margin measures, confronted any market shifts with every effort to enforce its leading market presence, extending stakeholders' interests to the maximum. Additional product development investments imported technological and industrial advantages to lay a solid foundation in innovations to elevate market competitiveness, and assisted to minimize risks from the external business environment.

(4) Selling and distribution expenses

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, sales and marketing related salaries, and transportation expenses. During the Period, S&D expenses rose 22.2% or HK$232 million from the same period last year to HK$1,278 million. Contrastingly, the ratio of S&D expense to turnover reduced 1.4 percentage points from 14.2% to 12.8%. This significant reduction of S&D expenses to turnover evidenced management's claim on their ability to take advantage of operating leverage.

In addition to the extra promotional forces and sales-related incentives required to climax the Period's impressive results, other expenses are reasonably constrained. Year 2008's considerably brand uplifting investments to recite corporate image opened a rewarding path for the Period. The advertising and promotion expenditure for the Period merely increase HK$53 million from the same period last year, which was incommensurate to the explicit sales growth. Main charges for the Period were the renovations to get counters and booths LCD TV image-ready as well as increasing counters to further market penetration. In the long run, the Group committed to continuously improve band reliability including enhancement of production management through reducing defective rate, production costs and overall product warranty allowance to assure corporate responsibilities to stakeholder.

(5) General and administrative expenses

The Group's general and administrative ("G&A") expenses for the Period rose significantly by HK$30 million or 10.2% to HK$321 million from the same period last year. The G&A expenses to turnover ratio for the Period has improved by 0.7 percentage points to 3.2%.

The increase in G&A expenditure during the Period primarily due to the substantial increased employee related costs associated with the Group's practice to reward employees in contributing efforts towards good results. In addition, the Group endured concentrations on high consciences in asset protection, encouragement on harmonious working culture, effectiveness on operation system performance, and enhancement on product deign platform to ensure balance use of resources. Well coordination of research, production, sales and supply strengthened the Group with well-equipped human capital and smooth operations. The Group constantly reviewed and improved internal management systems and process control systems to ensure cost objectives achieved.

(6) Inventory control

The net carrying value of the Group's inventories reached HK$2,737 million as at the Period ended, representing an increase of HK$1,470 million or 116.0% from the balance as at 31 March 2009 and an increase of HK$747 million or 37.5% from the balance as at 30 September 2008.

Shifting from traditional CRT TVs to flat-panel TVs changed in production and inventory structures, leading gradual contraction of CRT TV market. The Group diminished CRT TV production to avoid adverse impacts and to assure effective use of working capital. Increasing production of flat-panel TVs demands with high unit costs imposed a direct impact on inventory value.

The Group emphasized on effective inventory, logistics and supply-chain management to manage the risks from slow-moving and obsolete inventories and to cater current fast changing market appetite. The Group results ascertained by a series of effective logistics and supply chain management measures, such as using inventory status as a factor for key performance indicator and setting up a regional distribution warehouse network, enabled shielding operational resources successfully, strengthening production flow, and preventing related risks.

The China government's polices driven domestic demands, set the production pace in coop with the surging demands, accelerating inventory turnaround. As at the Period ended, the inventory turnover days for raw materials and finished goods were 16 days and 28 days, respectively; while as at 31 March 2009, the turnover days were 15 days and 29 days, respectively. This sustainability of fast turnover days was a direct effect from management's fruitful effort in controlling the level of the Group's inventory.

(7) Trade receivables and bills receivable

At 30 September 2009, the Group had a total of HK$7,556 million trade receivables and bills receivable. Comparing to the previous year ended at 31 March 2009, the two receivables increased HKD$1,614 million, or 27.2%. Trade receivables increased HK$1,096 million or 78.1% to HK$2,499 million, whilst bills receivable reduced HK$518 million or 11.4% to HK$5,057 million. Such increase is coherent with September being a normal high sales season as it was the October National Day Golden Week in mainland China.

Comparing to the same period ended last year, trade receivables and bills receivable increased HK$617 million and HK$1,214 million, respectively. The total receivables for the Period end increased HK$1,831 million or 32.0%, concurrently with the 35.7% growth in sales. As bills receivable are naturally higher in recoverability than general trade agreements, the Group's higher in bills receivables than trade receivables in proportion to total receivables at Period end indicated Group's ability to control potential risks arising from doubtful debts.

(8) Trade payables and bills payable

At 30 September 2009, the Group's trade payables and bills payable amounted to HK$3,987 million and HK$1,072 million, respectively. As compared with that at 31 March 2009, the two payables increased by HK$1,124 million and HK$881 million, respectively. Compared with the amounts as at 30 September 2008, the trade payables dropped HK$323 million or 7.5%, whilst the bills payable grew by HK$803 million or 298.5%. Although the costs of raw materials to produce LCD TVs reduced, the needs to support growing sales required corresponding adequacy in inventory level necessitated the above payable balances.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group maintained a strong financial position. The Group's net current assets as at the Period ended rose HK$549 million from 31 March 2009. Bank balances and cash reached HK$1,799 million, which increased HK$414 million and HK$563 million from that at the year ended and same period ended last year, respectively; whilst pledged bank deposits reached HK$2,071 million as at the Period ended, representing an increase from that at the year ended and same period ended last year of HK$1,917 million and HK$ 925 million , respectively. The significant increase in pledged bank deposits during the Period reflected the new engagements of foreign exchange arrangements with financial institutions as disclosed in note 5 of the interim report.

The low discount rates continuously provided the Group with cost-effective financing channels to congregate flexibilities in its funding requirements. The balance of the discounted bills with recourse that would be released upon maturity amounted to HK$1,989 million and HK$1,157 million recorded at 30 September 2009 and at 31 March 2009, respectively.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$2,071 million bank deposits, as well as certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$235 million as at the Period end.

The Group's current gearing maintained healthy. The Group's gearing ratio was 0.3% as at the Period end, which was 3.1 percentage points lower than the year ended last year. The ratio calculated with reference to HK$17 million short-term bank borrowing and HK$5,033 million shareholders' fund, not taking into account the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements. Such ratio became 79.3% should the total bank borrowings be HK$3,992 million, which included HK$17 million short-term bank loan, HK$1,989 million discounted bills with recourse and HK$1,986 million foreign exchange arrangements.

TREASURY POLICY

Most of the Group's major investments and revenue stream situate in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi; others included Hong Kong dollars and US dollars. During the Period, the Group recognised a net gain of HK$8 million from foreign exchange.

The Group engaged forward contracts with certain commercial banks as currency risk management tools. Such easily accessible financial instruments accounted for foreign currency fluctuations and anticipated Renminbi appreciation, locking the return by fixing a predetermined US dollar to Renminbi forward rate, and managed currency fluctuations occurred when settling payable balances in US dollars. As at the Period ended, total related RMB fixed deposits and US dollar loans amounts were HK$1,982 million and HK$1,987 million respectively. The related interest incomes arising from fixed deposits and exchange gain on US dollar loans were HK$11 million and HK$3 million respectively. The finance costs to the loans and the loss from changes in fair values were HK$8 million and HK$25 million respectively. For details of the arrangements, please refer to note 5 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISTITION

During the Period, the Group invested HK$36 million in mainland China mainly for production plant and the ongoing logistic centers constructions and HK$13 million on setting up LCD module production line. The Group also invested HK$14 million to further improve related ancillary products; and spent approximately HK$104 million on acquisition of other property, plant and equipment for normal business operation and expansion.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2009.

HUMAN RESOURCES CAPITAL

At of the end of the Period, the Group recruited over 23,000 employees in Hong Kong, Macau and mainland China, including salespersons spread throughout 40 branch offices and 169 sales offices. The Group reserved proportionate resources to stabilize and to extend human capital to enhance productivity and long-term plans execution.

Details of the Group’s remuneration policy, and the Remuneration Committee and the Nomination Committee’s duties and work performed were disclosed in the “Corporate Governance Report” of the Company’s annual report 2008/09.

OUTLOOK

The global financial crisis in Year 2008 had brought challenges and opportunities to the business environment. To guarantee steady returns and healthy business development, the Group seized every opportunity from the market with foresight and soothed the sharp turns into a broad road, inducing enormous escalation in results over the Group's overall annual target. In views of the China government’s strong determination in extending consumption with regulatory policies to strengthen stable economic growth, the Group sets objectives coherent with the state’s long-term goals. The Group projects LCD TV sales to remain strong continuous growth in sales and profit in mainland China, with an increase in annual targeted overall TV sales volume from 6.2 million units to 6.5 million units, and a decrease of annual targeted overall TV sales volume in the overseas TV markets from 2.0 million units to 1.7 million units.

The China TV and related industries enter into a fast growing golden decade. The fast paced digital TVs and related markets transformation from globalization creates a greater span for industrial value. It is expected China to become the word’s largest LCD TV consumer market, with the commencements of the “Home Appliances to the Countryside” and the “Swapping Old to New” government schemes triggering the domestic consumption trends, dominating economic growth patterns, driving an extensive development in the Chinese economy over the next decade. Meanwhile, the China’s panel TV industrial chain becomes more integrated as LCD upstream LCD panel manufacturers substantially set up facilities in the mainland China with ramp up of domestic LCD module production lines gradually begin to operate. The upgrades and convergence of technology bases on computer, communication, consumer electronics, and content technologies such as karaoke, internet content service, further expanding product range and value with fast launching of sophisticated multimedia entertainment applications, strengthening the competitive edges of the domestic TV manufacturers in their global positions.

In the long run, the Group continues to manage its business with prudent principles to maintain a sound financial position. The Group also adopts objective-oriented management and precautionary measures as a fundamental, and reviews the target achievability regularly, to optimize working capital management proactively.

CORPORATE GOVERNANCE STANDARDS

Recognizing 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 2009 as described in the "Corporate Governance Report" of the Company's annual report 2008/09.

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 2008/09.

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 four members, Mr. So Hon Cheung, Stephen (Chairman), Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Tsui Tsin Tong, 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 four 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) review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff of accounting and financial reporting function of the Group;
(d) discussed on the Group's internal audit plan with the Risk Management Department; and
(e) met with the external auditors.

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 2009.

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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board of the Company has resolved to pay an interim dividend for the six months ended 30 September 2009 of HK8 cents (2008: HK1 cent) per ordinary share, totaling approximately HK$197 million (2008: HK$23 million) to the shareholders of the Company on or around 1 February 2010 whose names appear on the register of members of the Company at the close of business on 23 December 2009. Shareholders may elect to receive interim dividend in the form of new shares of the Company or cash or partly in shares and partly in cash.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 December 2009 to Thursday, 31 December 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 1 February 2010, 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 Wednesday, 23 December 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, 2 December 2009

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, Mr. Xie Zhengcai and Mr. Tsui Tsin Tong as independent non-executive directors.

** For identification purpose only*