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 2011

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

Skyworth Digital Holdings Limited (the "Company", together with its subsidiaries, the "Group") recorded the following results for the six months ended 30 September 2011 (the "Period"):

- Turnover increased by 17.3% from that of the same period last year, reached HK$13,074 million (89.1% from mainland China market).
- Sales of television products and digital set-top boxes accounted for 84.1% and 11.7% of the Group's total turnover, respectively.
- Gross profit achieved HK$2,771 million, increased by 40.6%; the gross profit margin was 21.2%, increased by 3.5 percentage points compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Period were HK$485 million and HK$461 million, respectively, increased by 17.4% and 30.2%, respectively, on a year-on-year basis.
- Excluding impairment loss recognised in respect of available-for-sale investments amounted to HK$79 million, unaudited profit before and after non-controlling interests for the Period became HK$564 million and HK$540 million, respectively, increased by 36.6% and 52.5%, respectively, on a year-on-year basis.
- The Board has proposed an interim dividend of HK5.5 cents per share with an option to elect scrip dividend 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 2011. These results have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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

	Notes	Six months ended 30 September **2011** *(unaudited)*	2010 *(unaudited)*
Turnover	3	**13,074**	11,148
Cost of sales		**(10,303)**	(9,177)
Gross profit		**2,771**	1,971
Other income		**199**	173
Other gains and losses		**(15)**	65
Selling and distribution expenses		**(1,813)**	(1,320)
General and administrative expenses		**(454)**	(348)
Finance costs		**(75)**	(59)
Share of results of jointly controlled entities		**14**	15
Profit before taxation		**627**	497
Income taxes	5	**(142)**	(84)
Profit for the period	6	**485**	413
Other comprehensive income (expense)			
Exchange differences arising on translation		**189**	127
Fair value gain on cash flow hedges		**1**	-
Fair value loss on available-for-sale financial assets		**(90)**	(1)
Reclassification adjustment upon impairment of available-for-sale financial assets		**79**	-
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(8)**	(7)
Other comprehensive income for the period		**171**	119
Total comprehensive income for the period		**656**	532
Profit for the period attributable to:			
Owners of the Company		**461**	354
Non-controlling interests		**24**	59
		485	413
Total comprehensive income for the period attributable to:			
Owners of the Company		**626**	468
Non-controlling interests		**30**	64
		656	532
Earnings per share (expressed in HK cents)			
Basic	7	**17.70**	13.96
Diluted	7	**17.18**	13.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2011

Amounts expressed in HK$ million

	Notes	**As at 30 September 2011** ***(unaudited)***	As at 31 March 2011 *(audited)*
Non-current Assets			
Property, plant and equipment		**1,986**	1,709
Investment properties		**76**	77
Prepaid lease payments on land use rights		**384**	294
Interests in jointly controlled entities		**214**	195
Interests in an associate		**7**	-
Other receivable		**99**	96
Available-for-sale investments		**226**	197
Prepayment		**-**	4
Deferred tax assets		**65**	60
		3,057	2,632
Current Assets			
Inventories		**4,541**	2,657
Stock of properties		**16**	4
Prepaid lease payments on land use rights		**9**	7
Trade and other receivables, deposits and prepayments	9	**4,408**	2,954
Bills receivable	10	**6,733**	7,251
Derivative financial instruments		**16**	6
Amounts due from jointly controlled entities		**63**	32
Held for trading investments		**9**	14
Structured bank deposit		**37**	36
Pledged bank deposits		**667**	558
Bank balances and cash		**2,354**	2,524
		18,853	16,043
Current Liabilities			
Trade and other payables	11	**7,500**	5,162
Bills payable	12	**791**	917
Dividend payable		**235**	-
Obligations arising from put options written to non-controlling interests		**144**	125
Derivative financial instruments		**32**	19
Provision for warranty		**70**	49
Amounts due to jointly controlled entities		**36**	5
Tax liabilities		**131**	154
Bank borrowings		**3,773**	3,577
Deferred income		**49**	23
		12,761	10,031
Net Current Assets		**6,092**	6,012
Total Assets less Current Liabilities		**9,149**	8,644

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 30 SEPTEMBER 2011

Amounts expressed in HK$ million

	As at 30 September 2011 ***(unaudited)***	As at 31 March 2011 *(audited)*
Non-current Liabilities		
Obligations arising from put options written to non-controlling interests	**189**	183
Provision for warranty	**52**	44
Bank borrowings	**779**	778
Deferred income	**286**	263
Deferred tax liabilities	**151**	127
	1,457	1,395
NET ASSETS	**7,692**	7,249
Capital and Reserves		
Share capital	**261**	259
Share premium	**1,884**	1,863
Share option reserve	**117**	97
Investment revaluation reserve	**-**	11
Surplus account	**38**	38
Capital reserve	**319**	319
Exchange reserve	**914**	739
Hedging reserve	**(18)**	(19)
Accumulated profits	**3,993**	3,767
Equity attributable to owners of the Company	**7,508**	7,074
Non-controlling interests	**184**	175
	7,692	7,249

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 the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue and expenses during the reporting period. The estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2011.

The Group's operations are seasonal, the turnover from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the turnover from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2011.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011 except for those described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standard, amendments and interpretation issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised standard, amendments and interpretation in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES - continued

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensives Income[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair value measurement[3]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of HKFRS 9 regarding the classification and measurement of the Group's financial assets may have significant impact.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The five new and revised standards on consolidation, joint arrangements and disclosures, namely HKAS 27, HKAS 28, HKFRS 10, HKFRS 11 and HKFRS 12, were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Early application is permitted provided that all of these five new and revised standards are applied early at the same time. The directors of the Company anticipate that these new and revised standards will be applied in the Group's consolidation financial statements for the financial year ending 31 March 2014 and the potential impact is described below.

2. PRINCIPAL ACCOUNTING POLICIES - continued

HKFRS 10 *Consolidated Financial Statements* replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 *Joint Arrangements* replaces HKAS 31 *Interests in Joint Ventures.* HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

The directors of the Company considered that it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKFRS 11 until a detailed review has been completed.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation 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. An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$ million	HK$ million
Sales of TV products	**10,992**	9,175
Sales of digital set-top boxes	**1,535**	1,740
Sales of LCD modules	**187**	38
Sales of other electronic products	**323**	157
Property rental income	**37**	38
	13,074	11,148

4. SEGMENT INFORMATION

The Group is organised into certain operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company).

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. TV products (PRC market)	- design, manufacture and sale of televisions for the People's Republic of China (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region) (the "PRC") market
2. TV products (overseas market)	- design, manufacture and sale of televisions for the overseas Market (including Hong Kong Special Administrative Region and Macau Special Administrative Region)
3. Digital set-top boxes	- design, manufacture and sale of digital set-top boxes
4. LCD modules	- design, manufacture and sale of liquid crystal display ("LCD") modules
5. Other electronic products	- design, manufacture and sale of other products, mainly relating to electronics
6. Property holding	- leasing of property

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

For the six months ended 30 September 2011

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Segment-total	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover									
Segment revenue from external customers	10,212	780	1,535	187	323	37	13,074	-	13,074
Inter-segment revenue	127	2	-	343	149	-	621	(621)	-
Total segment revenue	10,339	782	1,535	530	472	37	13,695	(621)	13,074
Results									
Segment results	592	(2)	148	70	16	24	848	-	848
Interest income									33
Unallocated corporate expenses less income									(193)
Finance costs									(75)
Share of results of jointly controlled entities									14
Consolidated profit before taxation of the Group									627

4. SEGMENT INFORMATION - continued

For the six months ended 30 September 2010

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Segment-total	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover									
Segment revenue from external customers	8,660	515	1,740	38	157	38	11,148	-	11,148
Inter-segment revenue	25	19	2	358	39	-	443	(443)	-
Total segment revenue	8,685	534	1,742	396	196	38	11,591	(443)	11,148
Results									
Segment results	333	(8)	206	12	4	21	568	-	568
Interest income									28
Unallocated corporate expenses less income									(55)
Finance costs									(59)
Share of results of jointly controlled entities									15
Consolidated profit before taxation of the Group									497

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

5. INCOME TAXES

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Income taxes comprise:		
PRC income tax		
Current period	**129**	85
Under(over)provision in prior periods	**1**	(3)
	130	82
Deferred taxation	**12**	2
	142	84

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

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 calculated at the prevailing PRC tax rates on the estimated assessable profits for the period.

5. INCOME TAXES - continued

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries which were enjoying preferential tax rate of 15%, the tax rate is increased from 15% over 5 years to 25% based on the relevant transitional provision. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Certain subsidiaries of the Company continue to enjoy tax holidays and concessions, such as “2+3 tax holiday” (two years’ exemption followed by three years of half deduction) granted to them under the tax law and implementation rules. Such holidays and concessions will be expired in 2012.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to enterprise income tax pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK$15 million (for the six months ended 30 September 2010: HK$6 million) in respect of the additional undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the period while HK$1 million (for the six months ended 30 September 2010: nil) of previously provided deferred tax has been reversed and charged as current tax upon distributions by its subsidiaries during the period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**10,275**	9,152
Depreciation of:		
- property, plant and equipment	**106**	126
- investment properties	**2**	3
Dividend income from:		
- listed investments	**(4)**	(3)
- unlisted investments	**(11)**	(11)
Government grants	**(44)**	(26)
Impairment loss on trade receivables	**12**	1
Interest income:		
Interest income from bank deposits	**(28)**	(23)
Imputed interest income from		
- other receivable	**(3)**	(3)
- trade receivables from sale on instalment basis	**(2)**	(2)
	(33)	(28)
Release of prepaid lease payments on land use rights	**4**	4
Rental income from leasing of properties less related outgoings of HK$28 million (2010: HK$25 million)	**(9)**	(13)
Staff costs, including directors’ emoluments	**1,044**	618
Write-down of inventories	**34**	28

7 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**461**	354
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,604,055,897**	2,535,465,532
Effect of dilutive potential ordinary shares in respect of share options outstanding	**79,144,082**	107,147,257
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,683,199,979**	2,642,612,789

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 during the periods.

8. DIVIDENDS

Subsequent to 30 September 2011, a dividend of HK9 cents per share, amounting to HK$235 million in total, was distributed to shareholders on 28 October 2011 as the final dividend for the year ended 31 March 2011. Such amount was recognised as distribution and as dividend payable on the consolidated statement of financial position when such declaration of dividend was approved by the shareholders in the Company's Annual General Meeting held on 30 August 2011. Of such final dividend, an aggregate amount of HK$114 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

During the six months ended 30 September 2010, a dividend of HK8 cents per share, amounting to HK$203 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2010. Of such final dividend, an aggregate of HK$116 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The Board of Directors has resolved that an interim dividend of HK5.5 cents per share for the year ending 31 March 2012, amounting to HK$144 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 16 December 2011 with an option to elect scrip dividend wholly or partly in lieu of cash dividend.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Sales in the PRC are generally settled by payment on delivery or receipt of bills issued by banks with maturity dates ranging 30 to 180 days. Sales to certain retailers 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 sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 years to 4.5 years.

Export sales of the Group are mainly 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, presented based on the invoice date at the end of the reporting period:

	As at 30 September 2011 (unaudited) HK$ million	As at 31 March 2011 (audited) HK$ million
Within 30 days	**2,101**	733
31 to 60 days	**263**	203
61 to 90 days	**164**	235
91 to 365 days	**717**	749
Over 365 days	**206**	131
Trade receivables	**3,451**	2,051
Advertising deposits paid	**76**	75
Purchase deposits paid	**206**	312
Value-added-tax ("VAT") receivables	**330**	265
Other deposits paid, prepayments and other receivables	**345**	251
	4,408	2,954

10. BILLS RECEIVABLE

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

	As at 30 September 2011 (unaudited) HK$ million	As at 31 March 2011 (audited) HK$ million
Within 30 days	**1,001**	967
31 to 60 days	**468**	943
61 to 90 days	**753**	1,501
91 days or over	**3,732**	2,841
Bills endorsed to suppliers with recourse	**779**	306
Bills discounted with recourse	**-**	693
	6,733	7,251

10. BILLS RECEIVABLE - continued

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 at the end of the reporting period. Accordingly, the liabilities associated with such bills, mainly borrowings and payables are recognised in the condensed consolidated financial statements as well.

The maturity dates of bills endorsed to suppliers and bills discounted with recourse are less than six months at the end of the reporting period.

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

11. TRADE AND OTHER PAYABLES

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

	As at 30 September 2011 (unaudited) HK$ million	As at 31 March 2011 (audited) HK$ million
Within 30 days	**2,287**	1,273
31 to 60 days	**434**	333
61 to 90 days	**567**	559
91 days or over	**284**	144
Trade payables settled with endorsed bills	**779**	306
Trade payables	**4,351**	2,615
Accrued selling and distribution expenses	**802**	610
Accruals and other payables	**757**	619
Accrued staff costs	**360**	381
Rental and utility deposits received and others	**133**	108
Sales deposits received	**885**	718
VAT payable	**212**	111
	7,500	5,162

12. BILLS PAYABLE

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

	As at 30 September 2011 (unaudited) HK$ million	As at 31 March 2011 (audited) HK$ million
Within 30 days	**251**	200
31 to 60 days	**120**	218
61 to 90 days	**154**	242
91 days or over	**266**	257
	791	917

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

13. PLEDGE OF ASSETS

At 30 September 2011, the Group's bank borrowings were secured by structured bank deposit and pledged bank deposits of HK$37 million (as at 31 March 2011: HK$36 million) and HK$667 million (as at 31 March 2011: HK$558 million), respectively.

In addition, the Group's bank borrowings at 30 September 2011 were secured by leasehold land and building of HK$22 million (as at 31 March 2011: HK$92 million). Besides, at 31 March 2011, certain bank borrowings were secured by prepaid lease payments on land use rights of HK$87 million.

At 30 September 2011, there were other bills receivable endorsed to suppliers of HK$779 million (as at 31 March 2011: HK$306 million). Besides, at 31 March 2011, there were bills receivable discounted with recourse of HK$693 million. Such amounts were disclosed in note 10.

BUSINESS PERFORMANCE REVIEW

(1) Satisfactory growth in turnover

The Group's turnover for the Period reached HK$13,074 million, representing an increase of 17.3% over the same period last year.

The Group responded to the market changes by optimising its product mix in time and strengthening the sales channels in rural areas with successful marketing strategy and a series of promotional activities. From the stimulation of televisions ("TVs") with three dimensional ("3D") features and light emitting diode backlight ("LED LCD"), the Group's turnover recorded a remarkable growth in the mainland China market. Notwithstanding that increasing uncertainties in economy of developed countries intensified the decline of the overseas demands for flat-panel TVs, the Group continued to expand its sales for TVs with cold cathode fluorescent lamp backlight ("CCFL LCD") and LED LCD TV vigorously in overseas markets. The sales volume of LED LCD TVs roared by 1,216.1% over the same period last year in overseas market.

(2) Turnover analysis by geographical segments and product segments

(a) Mainland China market

During the Period, the mainland China market accounted for 89.1% of the Group's total turnover, recorded a 15.2% growth from HK$10,117 million for the same period last year to HK$11,654 million.

The Group's TV business in mainland China accounted for 88.0% of the total domestic turnover. The sales of digital set-top boxes and LCD modules accounted for 8.0% and 1.6%, respectively. Other business units include those engaged in manufacturing of washing machines, refrigerators, moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 2.4%.

TV products

During the Period, the TV products sales in mainland China market grew by 18.4% and reached HK$10,250 million. Retrieving from the TV market survey performed by All View Consulting Co., Ltd. ("AVC"), Skyworth LCD TVs (including CCFL and LED LCD TVs) ranked first in terms of cumulative sales volume, representing 16.4% of total market share, and ranked first and second in all TV in terms of cumulative sales volume and amount, accounting for 14.9% and 13.3% of total market share, respectively, for twelve consecutive months ended 30 September 2011. AVC is a subsidiary of the China Video Industry Association which performs quantitative TV researches with data covering 390 major cities and 4,300 retail terminals in the mainland China.

The TV industry faced a new round of product upgrade in year 2011. During the Period, over 3.23 million Flat Panel TVs under Skyworth brand were sold in mainland China, of which 1.55 million were LED LCD TVs, rose by 182.4% and represented 47.7% of the Group's total TV sales in mainland China. Included in the LED LCD TVs volume was 0.35 million 3D LED LCD TVs, representing 10.8% of the Group's total TV sales in mainland China market.

At the same time, the Group put extra efforts to improve its innovation and research and development ("R&D") abilities in complied with our high-end TV products strategy, and endeavoured to cater for our consumer expectation. On 18 August 2011, the Group launched the Cloud TVs, which initiated a competing entry over other domestic and foreign brands. During the National Day Holidays in China, the Group launched 5 series with 13 Cloud TV models featured by multi-functional platforms, that allured market attention and consumers' good graces.

During the Period, other key awards contributed to our brand and sales improvement of TV products including:

- In the "2011 Seventh Summit Forum of China Digital TV Industry", the Group was granted "2011 Outstanding Contribution Award for Smart TV Industry", and CooCaa Smart 3D TV E96RS series also won the "2011 Top Ten Flat-Panel TV Products".

- In the "2011 Sixth China Digital TV Annual Festival", Skyworth CooCaa Cloud TV won the "2011 Technology Innovation Award", and Cloud TV 65E99RS won the "2011 Product Innovation Award".

- In the "2011 China Most Successful Design Competition" event, Skyworth Cloud TV 46E98 won the "Most Successful Design Award of 2011" with its transcendent creative design.

- In the "Fourth China's Trademark Festival", the Group was honored as "2011 Consumers Most Favorite Green Trademark".

- In the "Most Influential National Brand of Guangdong Home Appliance Industry" activities, which held by the Guangdong Home Appliances Chamber of Commerce, the Group was awarded "The Most Influential National Brand of Guangdong Home Appliance Industry".

Digital set-top boxes

The digital set-top boxes turnover in mainland China market recorded HK$933 million, representing a decrease of 23.8% or HK$291 million, compared with HK$1,224 million recorded in the same period of previous year.

During the Period, price competition among the competitors resulted a decline in turnover of digital set-top boxes. According to the market research, the sales volume of Skyworth digital set-top boxes ranked first in digital set-top boxes industry in mainland China market. In addition, the expanding satellite broadcast market has a positive impact to the sale volumes of digital set-top boxes in the second half year.

LCD modules

LCD modules turnover in mainland China grew substantially to HK$184 million, representing an increase of HK$148 million or 411.1%.

Product reliability and quality won the praises of consumers for our LCD modules business. During the Period, sales rose rapidly due to additional strategic customers, especially the small-size LCD modules with sale volumes exceeded 50% over the same period last year. To meet customers' stringent requirements and confront with growing competition, the LCD modules business maintained its profitability by upgrading its product offerings, continuing to improve production process, exploring different markets and expanding the customer base.

(b) Overseas market

The turnover generated from overseas markets accounted for HK$1,420 million, or 10.9% of the Group's total turnover for the Period. Compared with HK$1,031 million turnover recorded in the same period of previous year, representing an increase of 37.7%.

TV products

The turnover of overseas TV products for the Period was HK$742 million, or 52.3% of the total overseas turnover, grew by 45.2%. Sales volume increased by 56.0% to 1.13 million sets, of which cathode ray tube ("CRT") TVs increased to 0.75 million sets, equivalent to 33.1% and flat panel TV sharply increased by 135.1% to 0.38 million sets.

During the Period, the Group marched towards the overseas markets with skyworth brand name TVs by incorporating sales offices in India, Philippines, Indonesia, Thailand and Australia. Geographical expansion helped to grasp the opportunities in rapid development of sales network. The interim turnover was encouraging in overseas markets.

Digital set-top boxes

Overseas digital set-top boxes turnover for the Period increased by 16.7% to HK$602 million from the same period last year.

Although the Eurozone debt crisis had been worsening persistently, digital set-top boxes turnover in Europe and Asia recorded an increase of 16.4% and 145.7%, respectively. Our brand image and market shares benefited from the flexibility product mix and tighten customer relationship as well as successful marketing strategies adoption. In addition, the digital set-top boxes business will continue to seise the opportunity of large-scale digital conversion in Southeast Asia and South America to consolidate our overseas position. Apart from that, the digital set-top boxes business unit will play a positive role to exploit overseas markets in Eastern Europe, Russia and Africa.

Geographical distribution

During the Period, Asia, America and Europe were the Group's major overseas markets, with aggregation to 82% in overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2011 (%)	2010 (%)
Asia (including Japan, Korea, Vietnam, etc.)	34	21
America	25	36
Europe	23	27
Africa	9	7
Middle East	6	5
Australia and New Zealand	3	4
	100	100

(3) Gross profit margin

For the Period, the overall gross profit margin of the Group grew 3.5 percentage points to 21.2% in comparison to the same period last year.

The management of the Group believed that good product design will contribute to cost reduction. During the Period, the Group had devoted more resources in R&D and accelerated the pace of new product launching to enhance our competitiveness. Increase in overall gross profit margin was driven by rapid growing sales volume of LED LCD TVs and 3D TVs, as well as the composition of high-end, high value-added and high margin products mix.

(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, maintenance and transportation expenses. During the Period, S&D expenses rose 37.3% or HK$493 million from the same period last year to HK$1,813 million. The ratio of S&D expense to turnover increased 2.1 percentage points from 11.8% to 13.9%.

During the Period, in line with a series of new products, the Group launched various promotional projects. The Group also organised technical presentations, spokesman, media advertisement and other activities to reinforce our brand influence that increased the advertising expenses by 31.3% for the Period. To remain competitive with foreign brands, the Group channeled new sales drivers and enriched salesman capability, thus correspondent selling costs including exhibition and flagship store expenditures, promotional manpower expenses, and sales performance bonus, had a big leap. Albeit an increase to S&D expenses, the Group endeavored to improve product reliability continuously, constraining warranty and maintenance costs to enhance brand and Group's reputation that maximised stakeholder interests in the long run.

(5) General and administrative expenses

The Group's general and administrative ("G&A") expenses for the Period rose by HK$106 million or 30.5% to HK$454 million. The G&A expenses to turnover ratio for the Period increased by 0.4 percentage points to 3.5%.

To maintain Skyworth with the ability to offer the quality products with features in latest technology, the Group had devoted more resources in R&D during the Period, that triggered an increase of HK$32 million or 50.8% in R&D expenses. In addition, the staff salary and welfare increased by HK$60 million, or 63.8% due to the increase in number of employees and the salary and also the performance related bonus. Other expenses did not change significantly, compared with that of the same period last year.

(6) Inventory control

The net carrying value of the Group's inventories reached HK$4,541 million as at the Period ended, representing an increase of HK$1,884 million or 70.9% as at 31 March 2011 and an increase of HK$1,638 million or 56.4% as at 30 September 2010. The increment was mainly due to an expanded production scales and changes in raw material components structure.

Having 3D LED LCD TVs as our focal point in short run, the higher cost of its raw materials pushed up the carrying value of the overall inventory. In addition, surging TV sales and demands with quicker new product cycle caused a realignment to raw material reserves for scale-up production, mitigating risks of future costs and output disruption. Furthermore, to meet the demand in National Day Holidays and to match up the launching of the new Cloud TV series also led to higher inventory level.

As at the Period ended, the inventory turnover days for raw materials and finished goods were 20 days and 40 days respectively; while as at 31 March 2011, the turnover days were 22 days and 32 days respectively.

(7) Trade receivables and bills receivable

At 30 September 2011, the Group had a total of HK$10,184 million trade receivables and bills receivable, increased by HK$882 million, or 9.5% compared to that as at 31 March 2011. Trade receivables increased by HK$1,400 million or 68.3% to HK$3,451 million, whilst bills receivable dropped by HK$518 million or 7.1% to HK$6,733 million. Such increase is coherent with the seasonal peak in September greeting for the October National Day in mainland China.

Comparing to the same period ended last year, both of trade receivables and bills receivable decreased by a total of HK$872 million or 7.9%. Trade receivables increased by HK$732 million, whilst bills receivable dropped by HK$1,604 million. The tightening of credit limit among domestic banks caused a decline in bills receivable and imposed pressure on trade receivables. However, with flexible and reliable characteristics of bills receivable, the Group will continue to take this advantage to increase the proportion of bills receivable, not only accelerated the recovery of cash, but also avoided the risk of bad and doubtful debts.

(8) Trade payables and bills payable

As at 30 September 2011, the Group's trade payables and bills payable amounted to HK$4,351 million and HK$791 million, respectively. As compared with that as at 31 March 2011, the trade payables increased by HK$1,736 million or 66.4%; whist the bills payable decreased by HK$126 million or 13.7%. At the Period ended, trade payable increased primarily from massive procurements by TV and digital set-top boxes divisions for meeting demands in peak season.

As compared with the amounts as at 30 September 2010, the trade payables and bills payable dropped by HK$1,934 million and HK$31 million, respectively. This demonstrated the effectiveness in trade payable settlements. The Group has undergone a series of settlement procedures and system optimisation, enhanced monitoring and controls by refining information system accuracy and payment timeliness to uplift the Group's overall creditability.

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 increased by HK$80 million or 1.3% from 31 March 2011. Bank balances and cash amounted to HK$2,354 million, representing a decrease of HK$170 million, compared with that at 31 March 2011, an increase of HK$204 million from the same period last year; whilst the pledged bank deposits and structured bank deposit amounted to HK$667 million and HK$37 million at 30 September 2011, respectively, representing an increase of HK$109 million and HK$1 million, respectively, compared with that at 31 March 2011. The increase in pledged bank deposits at the Period end was mainly due to addition cash injected for new currency forward contracts with financial institutions as disclosed in note 18 of the interim financial report.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$667 million bank deposits and HK$37 million structured bank deposit, 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$22 million (at 31 March 2011: HK$179 million) as at the Period end.

The Group adopted principle of prudence and committed to maintain a healthy financial position. At the end of the Period, total bank loans amounted to HK$4,552 million which included foreign currency forward contracts for HK$90 million. Equity attributable to owners of the Company amounted to HK$7,508 million (at 31 March 2011: HK$7,074 million); debt to equity ratio was 59.4% (at 31 March 2011: 51.1%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the interim financial report.

As at the Period ended, the Group changed its funding strategies to utilise more low interest United States ("US") dollars bank loans than high cost bill discounting to finance its working capital.

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 ("RMB"); others included Hong Kong dollars and US dollars. The Group may require carrying out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group utilisation of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Period, the Group had recognised HK$76 million net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to mild RMB fluctuations.

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements, and the optimistic view of anticipating RMB appreciation in the long run. During the Period, the Group engaged into several arrangements with certain banks, such as foreign currency forward contracts, target redemption forward contracts, performance swap contract and cross-currency interest rate swaps contract of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollars. For details of the arrangements, please refer to note 18 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISTITION

During the Period, an addition of HK$158 million in construction projects were under way, including certain new production line projects, the ongoing construction of logistic centers, and the new construction phases for Guangzhou, Shenzhen and Nanjing production plants. These projects are positive influential to the productivity and bottleneck breakthroughs, providing tactics to complete orders on time. The Group had spent approximately HK$204 million on machinery in production line setups and other equipment; and has planned to commit HK$224 million on plant, logistic centers and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Period. The details of certain patent disputes are disclosed in note 27 to the condensed consolidated financial statements in the interim financial report.

HUMAN RESOURCES CAPITAL

At 30 September 2011, the Group had over 26,000 employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 42 branches and 199 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

The Group's remuneration policy is based on individual competence and performance, as well as overall human resources market set. Such details, along with information on the duties and services performed by the Remuneration Committee and Nomination Committee are disclosed in the Corporate Governance Report section.

OUTLOOK

Realising that the uncertainties in the world economy would not be cleared within a short period of time, the Group will focus its business in mainland China whilst prudently implement its emerging market initiatives to explore opportunities.

For our TV business unit, the development in the third and fourth tiers market as well as rural areas market in mainland China would increase demand for high-end TV products, and our expansion into overseas TV market would bring benefits to the Group. The Group will broaden the sales channels and networks in order to sustain these markets exploration. The Group is confident to maintain its TV sales volume of 9 million units for the financial year ended 31 March 2012.

Our set-top boxes business will remain as the second biggest contributors of revenue and profits to the Group in the foreseeable future. It will focus both overseas and mainland China market and capitalise its technology pool accumulated from its pass success.

The Group will maintain its strategy of incubating existing smaller business units. It is encouraging to note that certain of these business units are heading toward the right direction and have achieved reasonable results.

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 was existed within the Group during the year ended 31 March 2011 as described in the "Corporate Governance Report" of the Company's annual report 2010/11.

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 2010/11.

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 Ms. Chan Wai Kay, Katherine, 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 three 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 2011.

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

During the six months ended 30 September 2011, 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 2011 of HK5.5 cents (2010: HK5 cents) per ordinary share, totaling approximately HK$144 million (2010: HK$129 million) to the shareholders of the Company on or around 1 February 2012 whose names appear on the register of members of the Company at the close of business on 16 December 2011. 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 Monday, 19 December 2011 to Friday, 23 December 2012, 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 2012, 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 4:30 p.m. on Friday, 16 December 2011.

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 of Hong Kong Limited 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 period.

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

Hong Kong, 24 November 2011

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. Yang Dongwen, Ms. Lin Wei Ping, Mr. Lu Rongchang, Mr. Leung Chi Ching, Frederick and Mr. Shi Chi as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine as independent non-executive directors.

** For identification purpose only*