

Skyworth

Skyworth Digital Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00751

Interim Report 2008/09

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FINANCIAL HIGHLIGHTS

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

	Six months ended 30 September		Change
	2008 (unaudited)	2007 (unaudited)	
OPERATING RESULTS			
Turnover	7,380	5,841	+26.3%
Operating Profit (EBIT)	273	142	+92.3%
Profit attributable to equity holders of the Company	91	98	-7.1%
FINANCIAL POSITION			
Net cash from operating activities	1,261	402	+213.7%
Cash position*	2,381	1,801	+32.2%
Bank loans	1,383	1,508	-8.3%
Bank loans excluding the financial liabilities arising from discounted bills and foreign exchange arrangements	305	334	-8.7%
Equity attributable to equity holders of the Company	4,093	3,403	+20.3%
Working capital	2,433	2,170	+12.1%
Bills receivable	3,843	2,861	+34.3%
Bills discounted with recourse	58	259	-77.6%
Trade receivables	1,882	1,375	+36.9%
Inventories	1,990	1,912	+4.1%
KEY RATIOS			
Gross profit margin (%)	18.6%	18.7%	-0.1pp
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin (%)	4.9%	3.7%	+1.2pp
Profit margin (%)	1.2%	1.7%	-0.5pp
Return on equity holders of the Company (ROE) (%)	4.4%	5.8%	-1.4pp
Debt to equity (%)**	33.8%	44.3%	-10.5pp
Debt to equity excluding portion of financial liabilities arising from discounted bills and foreign exchange arrangements (%)	7.5%	9.8%	-2.3pp
Net debt to equity	Net Cash	Net Cash	n/a
Current ratio (times)	1.3	1.4	-7.1%
Trade receivable turnover period (days)***	124	137	-9.5%
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)***	120	133	-9.8%
Inventory turnover period (days)***	59	67	-11.9%
DATA PER SHARE (HK CENTS)			
Earnings per share – Basic	3.98	4.28	-7.0%
Earnings per share – Diluted	3.98	4.26	-6.6%
Dividend per share	1.0	0.5	+100.0%
Book value per share	178.9	148.5	+20.5%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Number of shares in issue (million)	2,288	2,291	-0.1%
Market capitalisation	1,350	2,589	-47.9%

* Cash position refers to bank balances and cash, including pledged bank deposits of approximately HK\$1,145 million

** Bank loans and financial liabilities arising from discounted bills/equity attributable to equity holders of the Company at period end

*** Calculated based on average inventory/average sum of bills receivable and trade receivables

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Zhang Xuebin (*Executive Chairman and Chief Executive Officer*)

Ms. Ding Kai

Mr. Leung Chi Ching, Frederick

Ms. Lin Wei Ping

Mr. Yang Dongwen

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen

Mr. Li Weibin

Mr. Xie Zhengcai

Members of Committees

Audit Committee

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Li Weibin

Mr. Xie Zhengcai

Executive Committee

Mr. Zhang Xuebin (*Chairman*)

Ms. Ding Kai

Mr. Guo Limin

Mr. Hu Zhaohui

Mr. Kuang Yubin

Mr. Leung Chi Ching, Frederick

Ms. Lin Wei Ping

Mr. Liu Tangzhi

Mr. Lu Rongchang

Mr. Wang Dehui

Mr. Yang Dongwen

Ms. Zhou Tong

Remuneration Committee

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Leung Chi Ching, Frederick

Mr. Li Weibin

Mr. Xie Zhengcai

Nomination Committee

Mr. So Hon Cheung, Stephen (*Chairman*)

Mr. Leung Chi Ching, Frederick

Mr. Li Weibin

Mr. Xie Zhengcai

Qualified Accountant and Company Secretary

Mr. Leung Chi Ching, Frederick

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

Richards Butler

Principal Bankers

Bank of China

China Construction Bank

China Merchant Bank

Citi Ka Wah Bank

Industrial and Commercial Bank

Standard Chartered Bank

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

Rooms 1601-04 Westlands Centre

20 Westlands Road

Quarry Bay

Hong Kong

Bermuda Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

6 Front Street, Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Hong Kong Registrars Limited

Rooms 1712-16 Hopewell Centre

183 Queen's Road East

Hong Kong

Share Listing

The Company's shares are listed on

The Stock Exchange of Hong Kong Limited

Stock Code: 751

Important Information for 2008/2009

Results Announcement Date

Interim results – 10 December 2008

Dividend Per Share

Interim dividend – HK1 cent

Dividend Payment Date

Interim dividend – 12 February 2009

Closing Period of the Register of Members

Interim – From 19 January 2009 to 23 January 2009

both dates inclusive

Company Website

<http://www.skyworth.com>

OPERATIONAL AND FINANCIAL REVIEW

Highlights of Results

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

- Turnover reached HK\$7,380 million (83.6% from mainland China market), an increase of 26.3% from that of the same period of previous year.
- Sales of TV products and digital set-top boxes accounted for 89.3% and 8.6% of the Group's total turnover respectively.
- Gross profit achieved HK\$1,370 million, representing 18.6% of turnover, increased by 25.7% compared with that for the same period of previous year.
- Unaudited profits before minority interests for the Period was HK\$115 million, an significant increase of 17.3%.
- The Board has declared an interim cash dividend of HK1 cent per share.

Business Performance Review

Steady growth in turnover

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

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

Turnover analysis by geographical segments and product segments

Mainland China market

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

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

TV products

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

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

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

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

- the allocation of best resources to promote icon product with value-added functions including 16:9, slim CRT TVs and CooCaa Multimedia TVs (the first "network content" TV available in the market);
- with the 2008 Beijing Olympics stimulus, seizing market share and gaining significant shares of domestic sales through brand-valued promotional campaigns;
- impose effective strategies to improve distribution policy management and maintain customer-oriented after-sales services to maintain gross profit margin and competitiveness in product pricing; and
- effective co-operation with large-scale electronic chain stores as well as expanding distribution network to direct customers and project-based clients to facilitate sustainable competitiveness.

Digital set-top boxes

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

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

Mobile phones

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

Overseas markets

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

TV products

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

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

Digital set-top boxes

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

Geographical distribution

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

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

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

Gross margin

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

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

Increase in selling and distribution expenses

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

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

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

Increase in general and administrative expenses

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

The main factors contributing to the increase in G&A expenditure during the Period were increasing research and development costs, decrease in fair value of other receivable, as well as the implementation of a new labor law in mainland China which led to a substantial increase in employee related costs. The management applied rigorous means of controls to balance the use of resources to strengthen the Group with well-equipped human capital and smooth operations.

Inventory control

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

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

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

- Devise detailed production plan – through experience and internal discussion, the management gathered comprehensive information on market demand, supply of raw materials, status of the production lines to successfully sustain an inventory level that ensured smooth production and prevented risk of overstock.
- Define Key Performance Indicators (“KPI”) – The performance of senior management from the business units were evaluated using status of inventory including inventory turnover days, incidence of raw material shortage, and provision for inventory. The metric measurement aligned interests of the business units’ management with those of the Group as a whole.
- Establish centralised logistics centre – By undertaking the sales data, the Group adjusted the product supply level according to sales performance and developed a network hub with logistics centers in prime locations to minimise risk of slow-moving and obsolete inventory, and to ensure smooth supply of goods to shops with satisfactory selling results.

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

Trade receivables and bills receivable

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

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

Trade payables and bills payable

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

Liquidity, Financial Resources and Cash Flow Management

Standing in a strong financial position, the Group had bank balances and cash of HK\$1,236 million as at 30 September 2008, representing an increase of HK\$405 million from the same period of previous year, and a decrease of HK\$153 million when compared with that at 31 March 2008; whilst the pledged bank deposits amounted to HK\$1,145 million at 30 September 2008, representing an increase of HK\$175 million from the same period of previous year, whereas an decrease of HK\$725 million from that at 31 March 2008, respectively. Due to the maturity of most financial arrangements with financial institutions in the mainland China as disclosed in note 19 of the financial statements, the pledged bank deposits amount dropped as compared with previous period.

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

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

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

Treasury Policy

The Group's investments are mostly in mainland China and its main revenue stream generates mainly Renminbi. Other than Renminbi, other Group's assets and liabilities are mainly denominated either in Hong Kong dollars or in US dollars. During the Period, the Group had recognised HK\$53 million net gain from foreign exchange.

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

As at 30 September 2008, the Group's pledged bank deposit amount and secured bank loan amount related to NDF recorded a significant decline to HK\$1,072 million and HK\$1,020 million respectively. Related interest income to deposits amounted HK\$36 million, finance cost to loan amounted HK\$54 million, foreign exchange gain amounted HK\$40 million, and gains from changes in fair value of NDF amounted HK\$27 million. For details of arrangements, please refer to note 19 of the financial statement.

Significant Investments and Acquisition

During the Period, the Group invested HK\$113 million in mainland China mainly for production plant and the ongoing logistic centers constructions. The Group also invested RMB25 million (equivalent to HK\$28 million) for setting up of a 50% owned jointly controlled R&D centre principally engaged in the business of research and development on LCD modules; and spent approximately HK\$67 million on acquisition of other property, plant and equipment.

Contingent Liabilities

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

Human Resources Capital

As at 30 September 2008, the Group had a dedicated team of approximately 25,000 employees in Hong Kong and mainland China, including salespersons spread throughout 27 branch offices and 173 sales offices. Management reserved proportionate resources in reinforcing the team to sustain the Skyworth brand success by continuous attracting skillful experts from the workforce and retaining existing talents within the Group. The stable and extensive human resources capital led to optimisation in performance and enhanced long-term plans execution.

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

Outlook

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2008

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

	Notes	Six months ended	
		2008	2007
		(unaudited)	(unaudited)
Turnover	3	7,380	5,841
Cost of sales		(6,010)	(4,751)
Gross profit		1,370	1,090
Other income		153	69
Exchange gains		66	18
Selling and distribution expenses		(1,046)	(797)
General and administrative expenses		(295)	(214)
Change in fair value of derivative financial instruments	19	27	(1)
Impairment losses recognised in respect of available-for-sale investments		–	(8)
Impairment losses and provision for onerous contracts	8	(2)	(57)
Finance costs	5	(87)	(21)
Gain on disposal of partial interest of a subsidiary	6	–	42
Share of results of jointly controlled entities		6	7
Profit before taxation		192	128
Income taxes	7	(77)	(30)
Profit for the period	8	115	98
Attributable to:			
Equity holders of the Company		91	98
Minority interests		24	–
		115	98
Dividends			
Paid	9	–	–
Proposed	9	23	11
Earnings per share			
Basic (HK cents)	10	3.98	4.28
Diluted (HK cents)	10	3.98	4.26

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

Amounts expressed in HK\$ million

	Notes	As at 30 September 2008 (unaudited)	As at 31 March 2008 (audited)
Non-current assets			
Property, plant and equipment	11	1,397	1,282
Prepaid lease payments on land use rights		230	227
Interests in jointly controlled entities	12	110	59
Other receivable	13	82	–
Available-for-sale investments		32	39
Prepayment		24	27
Deferred tax assets		8	7
		1,883	1,641
Current assets			
Inventories	14	1,990	1,913
Prepaid lease payments on land use rights		5	5
Trade and other receivables	15	2,340	1,808
Bills receivable	16	3,843	4,403
Derivative financial instruments	19	15	–
Amounts due from minority shareholders		12	12
Amounts due from jointly controlled entities		17	29
Pledged bank deposits		1,145	1,870
Bank balances and cash		1,236	1,389
		10,603	11,429
Current liabilities			
Trade and other payables	17	6,041	5,171
Bills payable	18	269	105
Obligation arising from put option written to minority interests		171	156
Derivative financial instruments	19	35	106
Provision for warranty and onerous contracts		79	102
Amounts due to jointly controlled entities		2	1
Tax liabilities		124	105
Secured bank borrowings	20	1,383	3,052
Deferred income		66	59
		8,170	8,857
Net current assets		2,433	2,572
Total assets less current liabilities		4,316	4,213
Non-current liabilities			
Provision for warranty		30	33
Secured bank borrowings	20	–	83
Deferred income		102	102
Deferred tax liabilities		60	43
		192	261
NET ASSETS		4,124	3,952
Capital and reserves			
Share capital	21	228	229
Share premium		1,187	1,196
Share option reserve		79	73
Investment revaluation reserve		7	13
Surplus account		38	38
Capital reserve		178	178
Exchange reserve		472	408
Accumulated profits		1,904	1,813
Equity attributable to equity holders of the Company		4,093	3,948
Minority interests		31	4
		4,124	3,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2008

Amounts expressed in HK\$ million

	Attributable to equity holders of the Company										
	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Total	Minority interests	Total
At 1 April 2007 (audited)	229	1,194	59	5	38	76	165	1,497	3,263	-	3,263
Surplus on revaluation of available-for-sale investments	-	-	-	8	-	-	-	-	8	-	8
Exchange differences arising on translation to the Group's presentation currency	-	-	-	-	-	-	59	-	59	-	59
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Income recognised directly in equity	-	-	-	8	-	-	54	-	62	-	62
Profit for the period	-	-	-	-	-	-	-	98	98	-	98
Total recognised profit for the period	-	-	-	8	-	-	54	98	160	-	160
Recognition of equity-settled share based payments	-	-	8	-	-	-	-	-	8	-	8
Transfer to capital reserve	-	-	-	-	-	8	-	(8)	-	-	-
Dividend declared	-	-	-	-	-	-	-	(28)	(28)	-	(28)
Obligation arising from put option	-	-	-	-	-	-	-	-	-	(21)	(21)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	21	21
At 30 September 2007 (unaudited)	229	1,194	67	13	38	84	219	1,559	3,403	-	3,403
At 1 April 2008 (audited)	229	1,196	73	13	38	178	408	1,813	3,948	4	3,952
Deficit on revaluation of available-for-sale investments	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Exchange differences arising on translation to the Group's presentation currency	-	-	-	-	-	-	71	-	71	2	73
Deferred tax arising on exchange differences on the Group's net investments in foreign operations	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Income (expense) recognised directly in equity	-	-	-	(6)	-	-	64	-	58	2	60
Profit for the period	-	-	-	-	-	-	-	91	91	24	115
Total recognised profit (loss) for the period	-	-	-	(6)	-	-	64	91	149	26	175
Recognition of equity-settled share based payments	-	-	6	-	-	-	-	-	6	-	6
Shares repurchased and cancelled	(1)	(9)	-	-	-	-	-	-	(10)	-	(10)
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	1	1
At 30 September 2008 (unaudited)	228	1,187	79	7	38	178	472	1,904	4,093	31	4,124

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September 2008

Amounts expressed in HK\$ million

	Six months ended	
	2008	2007
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	1,261	402
NET CASH FROM (USED IN) INVESTING ACTIVITIES		
Dividend received	3	–
Interest received	44	8
Purchase of property, plant and equipment	(180)	(88)
Proceeds from disposal of property, plant and equipment	1	–
Investments in jointly controlled entities	(39)	–
Cash paid for the acquisition of prepaid lease payments	–	(31)
Increase in other receivable	(109)	–
Decrease (increase) in pledged bank deposits	725	(905)
	445	(1,016)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Interest paid	(78)	(21)
Contributions from minority shareholders	1	7
New bank loans raised	406	919
Repayment of borrowings	(1,445)	(1)
Net repayment of funds arisen from discounted bills with recourse	(775)	(351)
Payments on repurchase of shares	(10)	–
	(1,901)	553
NET DECREASE IN CASH AND CASH EQUIVALENTS	(195)	(61)
CASH AND CASH EQUIVALENTS FROM BEGINNING OF THE PERIOD	1,389	826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	42	66
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	1,236	831

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2008

1. BASIS OF PREPARATION

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

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

The Group's operations are seasonal, the turnover from September to January, peak season for sales of consumer electronic products in mainland China, is relatively higher than the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2008.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – INT 12	Service Concession Arrangements
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for financial period commencing on or after 1 January 2009

³ Effective for financial period commencing on or after 1 July 2009

⁴ Effective for financial period commencing on or after 1 July 2008

⁵ Effective for financial period commencing on or after 1 October 2008

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

3. TURNOVER

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

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

4. SEGMENT INFORMATION

Business segments

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

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

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

Segment information about these businesses is presented below.

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

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

Result							
Segment result	192	116	8	19	9		344
Interest income							46
Unallocated corporate expenses less income							(117)
Finance costs							(87)
Share of results of jointly controlled entities	–	–	–	6	–		6
Profit before taxation							192
Income taxes							(77)
Profit for the period							115

	TV products (unaudited) HK\$ million	Digital set-top boxes (unaudited) HK\$ million	Mobile phones (unaudited) HK\$ million	Other electronic products (unaudited) HK\$ million	Property holding (unaudited) HK\$ million	Eliminations (unaudited) HK\$ million	Consolidated (unaudited) HK\$ million
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Six months ended 30 September 2007

Turnover

External sales and rental income	5,063	528	148	76	26	-	5,841
Inter-segment sales and rental income	8	-	1	13	8	(30)	-
Total	5,071	528	149	89	34	(30)	5,841

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

Result

Segment result	200	122	(62)	(73)	12		199
Interest income							8
Unallocated corporate expenses less income							(65)
Finance costs							(21)
Share of results of jointly controlled entities	-	-	-	7	-		7
Profit before taxation							128
Income taxes							(30)
Profit for the period							98

Geographical segments

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

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

5. FINANCE COSTS

	Six months ended 30 September 2008 (unaudited) HK\$ million		2007 (unaudited) HK\$ million
Interest on bank borrowings wholly repayable within five years	87		21

6. GAIN ON DISPOSAL OF PARTIAL INTEREST OF A SUBSIDIARY

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

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

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

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

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

7. INCOME TAXES

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

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

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

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

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

8. PROFIT FOR THE PERIOD

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

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

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

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

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

9. DIVIDENDS

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

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

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

10. EARNINGS PER SHARE

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

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

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$113 million (for the six months ended 30 September 2007: HK\$44 million) in construction in progress, mainly for the development of a factory plant situated on land in the PRC held under medium-term leases, and spent approximately HK\$67 million (for the six months ended 30 September 2007: HK\$44 million) on the acquisition of other property, plant and equipment for business operation and expansion.

12. MOVEMENTS IN INTERESTS IN JOINTLY CONTROLLED ENTITIES

In the current period, the Group incurred HK\$39 million (for the six months ended 30 September 2007: nil) in interests in jointly controlled entities, mainly for setting up of a 50% owned jointly controlled entity principally engaged in the business of research and development on liquid crystal display ("LCD") modules.

The Group's jointly controlled entities had contributed a total result of HK\$6 million to the Group, which had been equity accounted for in the condensed consolidated income statement (for the six months ended 30 September 2007: HK\$7 million).

13. OTHER RECEIVABLE

On 17 January 2008, the Group entered into a contract to invest RMB97 million (approximately HK\$109 million) for a minority interest in an unlisted PRC company (the "unlisted equity securities"), which operates a LCD module factory in the PRC. At 31 March 2008, the investment transaction was yet to complete and subjected to the receipt of the approval and registration documents from the relevant government authorities.

On 6 June 2008, the Group has invested the total amount of RMB97 million upon the receipt of the approval and registration documents from the relevant government authorities. There are put and call options granted to the Group and the majority shareholder of that unlisted equity securities (the "majority shareholder") respectively, which enable the Group to require the majority shareholder to purchase/the majority shareholder to require the Group to sell the Group's interest in the unlisted equity securities at the original consideration of RMB97 million after a 5 year lock-up period from the date of capital injection.

As at the balance sheet date, the consideration paid has not been recognised as an investment of the Group. In the opinion of the directors, the majority shareholder has retained control and significant risks and rewards of ownership over the unlisted equity securities. Therefore, the consideration paid by the Group is classified as other receivable which is interest-free and is considered to be repayable on demand after the 5 year lock-up period.

The receivable has been recorded at initial recognition at its present value of HK\$80 million with a corresponding charge of HK\$29 million to the condensed consolidated income statement as disclosed in note 8. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the other receivable is 6.40% per annum.

14. INVENTORIES

	As at 30 September 2008 (unaudited) HK\$ million	As at 31 March 2008 (audited) HK\$ million
Raw materials	618	561
Work in progress	169	179
Finished goods	1,203	1,173
	1,990	1,913

15. TRADE AND OTHER RECEIVABLES

Sales in the PRC are generally made by payment on delivery or against bills issued by banks with maturity dates ranging from 30 to 180 days. Sales to certain wholesalers in the PRC are settled within one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

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

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

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

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

16. BILLS RECEIVABLE

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

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

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

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

17. TRADE AND OTHER PAYABLES

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

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

18. BILLS PAYABLE

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2008 (unaudited) HK\$ million	As at 31 March 2008 (audited) HK\$ million
Assets		
Foreign currency forward contracts	15	–
Liabilities		
Foreign currency forward contracts	35	106

During the period, the Group entered into arrangements with various established commercial banks in the PRC that the Group borrowed 6 months/one year US dollar loans from these banks for settlement of its US dollar payable to suppliers denominated in US dollar. At the same time, the Group (a) placed 6 months/one year fixed deposits (amounted to the Renminbi equivalent of the respective amounts of US dollar loans plus interests thereon) to the banks as security against the US dollar loans, and (b) entered into forward contracts with the banks to purchase US dollars (amounted to the US dollar loans plus interests thereon) by Renminbi at predetermined forward rates.

As at 30 September 2008, the US dollar loans of HK\$1,020 million (31 March 2008: HK\$1,715 million) and fixed deposits denominated in Renminbi of HK\$1,072 million (31 March 2008: HK\$1,802 million) are included in other bank loans and pledged bank deposits as disclosed in notes 20 and 23 respectively.

The related interest income on the fixed deposits of HK\$36 million (six months ended 30 September 2007: HK\$3 million) and exchange gain on US dollar loans of HK\$40 million (six months ended 30 September 2007: HK\$4 million) are included in condensed consolidated income statement, while the interest expenses on US dollar loans of HK\$54 million (six months ended 30 September 2007: HK\$5 million) are included in finance cost as disclosed in note 5.

Major terms of foreign currency forward contracts as at 30 September 2008 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
US\$73,073,783	From October 2008 to December 2008	Buy US\$/sell RMB at 6.7707 to 7.2800
US\$58,369,212	From January 2009 to March 2009	Buy US\$/sell RMB at 6.4400 to 7.2630

Major terms of foreign currency forward contracts as at 31 March 2008 are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
US\$120,166,535	From July 2008 to September 2008	Buy US\$/sell RMB at 7.0977 to 7.6133
US\$70,137,983	From October 2008 to December 2008	Buy US\$/sell RMB at 6.7707 to 7.2800
US\$28,369,212	From January 2009 to March 2009	Buy US\$/sell RMB at 6.6080 to 7.2630

At 30 September 2008, the fair value of the Group's foreign currency forward contracts is estimated to be a net financial liability of HK\$20 million (31 March 2008: HK\$106 million). These amounts are based on market prices quoted by the counterparty financial institutions at the balance sheet date. The gain on change in fair value of the foreign currency forward contracts amounting to HK\$27 million (six months ended 30 September 2007: loss of HK\$1 million) has been recognised in the condensed consolidated income statement.

20. SECURED BANK BORROWINGS

	As at 30 September 2008 (unaudited) HK\$ million	As at 31 March 2008 (audited) HK\$ million
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Secured bank borrowings comprise the following:

Construction loans	85	353
Financial liabilities on bills discounted with recourse	58	817
Other bank loans	1,240	1,965
	1,383	3,135

The bank borrowings are repayable as follows:

Within one year or on demand	1,383	3,052
More than one year, but not exceeding two years	–	83
	1,383	3,135
Less: Amount due within one year or on demand included in current liabilities	(1,383)	(3,052)
Amount due after one year	–	83

21. SHARE CAPITAL

	Number of shares		Share capital	
	1.4.2008 to 30.9.2008	1.4.2007 to 31.3.2008	1.4.2008 to 30.9.2008 (unaudited) HK\$ million	1.4.2007 to 31.3.2008 (audited) HK\$ million

Ordinary shares of HK\$0.1 each:

Authorised:				
At beginning and at end of the period/year	10,000,000,000	10,000,000,000	1,000	1,000
Issued and fully paid:				
At beginning of the period/year	2,292,790,391	2,289,290,391	229	229
Issue of shares under share option schemes	138,000	3,500,000	–	–
Share repurchased and cancelled	(11,472,000)	–	(1)	–
At end of the period/year	2,281,456,391	2,292,790,391	228	229

22. SHARE-BASED PAYMENTS

Share options

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follow:

	1.4.2008 to 30.9.2008		1.4.2007 to 31.3.2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the period/year	272,872,000	HK\$1.389	193,022,000	HK\$ 1.571
Granted during the period/year	11,900,000	HK\$0.800	83,350,000	HK\$ 0.937
Exercised during the period/year	(138,000)	HK\$0.336	(3,500,000)	HK\$ 0.660
Lapsed during the period/year	(1,752,000)	HK\$0.899	–	–
Outstanding at end of the period/year	282,882,000	HK\$1.368	272,872,000	HK\$ 1.389

The fair values of the share options granted during the period were ranging from HK\$0.136 to HK\$0.165, using the Black-Scholes Model. The details of the variables used in the calculations are summarized as follow:

	Grant 1	Grant 2
Date of grant of the share options	2 April 2008	19 August 2008
Grant date share price	HK\$0.71	HK\$0.83
Exercise price	HK\$0.712	HK\$0.83
Expected life	4.4 years	4 years
Expected volatility	50%	50%
Expected dividend yield	10%	10%
Risk-free interest rate	1.991%	2.742%

The Black-Scholes Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing prices of the Company's shares immediately before 2 April 2008 and 19 August 2008, the date of grant of the options, were HK\$0.69 and HK\$0.81 respectively.

The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.88.

Sale of shares of subsidiary to employees at consideration below fair value

Details of the equity settled share-based payments in respect of sale of SDT's shares at consideration below fair value are set out in note 6.

The Company has applied HKFRS 2 "Share-based payment" to account for its share option and sales of subsidiary at consideration below fair value. An amount of share-based payment expenses of HK\$9 million (six months ended 30.9.2007: HK\$8 million) has been recognised in the current period.

23. PLEDGE OF ASSETS

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

- (a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK\$60 million (31 March 2008: HK\$61 million) and HK\$23 million (31 March 2008: HK\$23 million) respectively;
- (b) bills receivable of nil (31 March 2008: HK\$229 million); and
- (c) bank deposits of HK\$1,145 million (31 March 2008: HK\$1,870 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK\$1,843 million (31 March 2008: HK\$1,932 million) and HK\$58 million (31 March 2008: HK\$817 million) respectively as disclosed in note 16.

24. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	As at 30 September 2008 (unaudited) HK\$ million	As at 31 March 2008 (audited) HK\$ million
Contracted but not provided, in respect of:		
Purchase of property, plant and equipment	6	5
Factory buildings and logistic centers under development	115	100
Investment in a jointly controlled entity in PRC	–	11
Investment in unlisted equity securities in PRC	–	109
	121	225
Authorised but not contracted for, in respect of:		
Purchase of property, plant and equipment	6	3
Factory buildings and logistic centers under development	141	302
	147	305

25. CONTINGENT LIABILITIES

Up to the date of the report, there are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. While it is in an early stage of those disputes, the directors of the Company are of the view that these patent disputes will not have a material adverse impact on the interim financial statements of the Group.

26. RELATED PARTY TRANSACTIONS

Transactions

During the period, the Group has the following transactions with jointly controlled entities:

	Six months ended 30 September 2008 (unaudited) HK\$ million	2007 (unaudited) HK\$ million
Sales of raw materials	5	10
Sub-contracting charges paid	1	1
Purchase of raw materials	13	–
Purchase of finished goods	–	1
Advertising and promotional expenses paid	10	5

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September 2008 (unaudited) HK\$ million	2007 (unaudited) HK\$ million
Short-term benefits	8	9
Share-based payments	3	8

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF SKYWORTH DIGITAL HOLDINGS LIMITED

創維數碼控股有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 30, which comprise the condensed consolidated balance sheet of Skyworth Digital Holdings Limited as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements (“HKSRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

10 December 2008

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

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

Directors' Interest in Shares and Share Options

As at 30 September 2008, the interests of the directors and of their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Ordinary shares of HK\$0.1 each of the Company

As at 30 September 2008, certain directors of the Company had long positions in the shares of the Company as follows:

Name of director	Capacity		Number of issued ordinary shares held	Percentage to the issued share capital of the Company
Lin Wei Ping	Beneficial owner		3,061,611	0.13%
	Held by trust	(Note a)	847,382,922	37.14%
	Held by spouse	(Note b)	55,621,612	2.44%
		(Note c)	906,066,145	39.71%
Ding Kai	Beneficial owner		11,000,000	0.48%
Yang Dongwen	Beneficial owner		4,600,000	0.20%
Zhang Xuebin	Beneficial owner		6,200,600	0.27%
So Hon Cheung, Stephen	Beneficial owner		100,000	0.00%

Note a: These shares are held by Target Success Group Limited in its capacity as trustee of the Skysource Unit Trust, all of the units in which are owned by the Skysource Trust. Ms. Lin Wei Ping and her children are the discretionary beneficiaries of the Skysource Trust. Accordingly, Ms. Lin Wei Ping is deemed to be interested in 847,382,922 ordinary shares of the Company.

Note b: Ms. Lin Wei Ping is deemed to be interested in 55,621,612 ordinary shares of the Company being the interests held beneficially by her spouse, Mr. Wong Wang Sang, Stephen.

Note c: Mr. Wong Wang Sang, Stephen is deemed to be interested in 906,066,145 ordinary shares of the Company being the interests held and deemed to be held by his spouse, Ms. Lin Wei Ping.

(b) Share options of the Company

As at 30 September 2008, certain directors of the Company had personal interests in the share options granted under the Company's share option schemes as follows:

Name of director	Capacity	Number of shares options held/underlying shares of the Company
Zhang Xuebin	Beneficial owner	31,000,000
Yang Dongwen	Beneficial owner	25,000,000
Ding Kai	Beneficial owner	7,000,000
So Hon Cheung, Stephen	Beneficial owner	1,000,000
Li Weibin	Beneficial owner	1,000,000
Lin Wei Ping	Beneficial owner	2,000,000
Leung Chi Ching, Frederick	Beneficial owner	6,000,000

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 September 2008, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the six months ended 30 September 2008.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Substantial Shareholders

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held – Long positions	Percentage to the issued share capital of the Company
Target Success Group Limited	Trustee (<i>Note a</i>)	847,382,922	37.14%
HSBC International Trustee Limited	Trustee (<i>Note b</i>)	847,382,922	37.14%
Wong Wang Sang, Stephen	Beneficial owner Held and deemed to be held by spouse (<i>Note c</i>)	55,621,612	2.43%
		850,444,533	37.28%
		906,066,145	39.71%
Winnington Capital Limited		229,592,000	10.06%
Citigroup Inc.	<i>(Note d)</i>	28,078,266	1.23%
		173,360,268	7.60%
		201,438,534	8.83%

Note a: Target Success Group Limited held the shares of the Company in the capital as trustee of the Skysource Unit Trust, all of the units in which are held by HSBC International Trustee Limited in its capacity as trustee of the Skysource Trust.

Note b: HSBC International Trustee Limited is deemed to be interested in 847,382,922 ordinary shares of the Company as it is the trustee of the Skysource Trust.

Note c: Mr. Wong Wang Sang, Stephen is deemed to be interested in 850,444,533 ordinary shares of the Company being the interests held by his spouse, Ms. Lin Wei Ping (847,382,922 ordinary shares held by Target Success Group Limited and 3,061,611 ordinary shares held by herself).

Note d: Citigroup Inc. held 28,078,266 ordinary shares of the Company through lending pool.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2008.

Share Options

Previously, the Company adopted two share option schemes in 2000 ("2000 Share Option Scheme") and 2002 ("2002 Share Option Scheme") mainly for the purpose of providing incentives to directors and eligible employees. Particulars of two share option schemes are detailed in the notes to the consolidated financial statements of the Company for the year ended 31 March 2008 as set out in the Company's annual report 2007/08.

2000 Share Option Scheme was terminated on 28 August 2002. The Company then further terminated 2002 Share Option Scheme and adopted a new share option scheme ("2008 Share Option Scheme") in its 2008 Annual General Meeting held on 30 September 2008. No share options were granted under 2008 Share Option Scheme during the period ended 30 September 2008.

The following tables showed the movements in the Company's share options granted to the directors and the employees and/or consultants under 2000 Share Option Scheme and 2002 Share Option Scheme during the period ended 30 September 2008:

Under 2000 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options			Outstanding at 30 September 2008
				Outstanding at 1 April 2008	Exercised during the period (Note a)	Grant/ cancelled/ lapsed during the period	
Employees/ Consultants:							
25 November 2000	0.336	25 November 2000 to 24 November 2001	25 November 2001 to 27 March 2010	254,000	-	-	254,000
		25 November 2000 to 24 November 2002	25 November 2002 to 27 March 2010	346,000	-	-	346,000
		25 November 2000 to 24 November 2004	25 November 2004 to 27 March 2010	4,098,000	(138,000)	-	3,960,000
23 January 2002	0.420	23 January 2002 to 22 January 2005	23 January 2005 to 27 March 2010	750,000	-	-	750,000
		23 January 2002 to 22 January 2006	23 January 2006 to 27 March 2010	750,000	-	-	750,000
				6,198,000	(138,000)	-	6,060,000

Note a: The closing price of the Company's shares immediately before the date on which the share options were exercised during the six months ended 30 September 2008 was HK\$0.88.

Share Options – continued

Under 2002 Share Option Scheme

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Directors:								
Zhang Xuebin								
5 October 2002	0.840	5 October 2002 to 4 October 2004	5 October 2004 to 28 August 2012	2,000,000	-	-	-	2,000,000
		5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	-	-	-	2,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	-	-	-	2,000,000
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	1,500,000	-	-	-	1,500,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	1,500,000	-	-	-	1,500,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	2,000,000	-	-	-	2,000,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	5,000,000	-	-	-	5,000,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	5,000,000	-	-	-	5,000,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	2,500,000	-	-	-	2,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	2,500,000	-	-	-	2,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	2,500,000	-	-	-	2,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	2,500,000	-	-	-	2,500,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Directors – continued:								
Yang Dongwen								
5 October 2002	0.840	5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,000,000	-	-	-	2,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,000,000	-	-	-	2,000,000
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	3,750,000	-	-	-	3,750,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	3,750,000	-	-	-	3,750,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	3,750,000	-	-	-	3,750,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	3,750,000	-	-	-	3,750,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	-	-	-	1,500,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2008
				Outstanding at 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	
Directors – continued:								
Ding Kai								
11 October 2004	2.225	11 October 2004 to 10 October 2005	11 October 2005 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2006	11 October 2006 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2007	11 October 2007 to 28 August 2012	250,000	-	-	-	250,000
		11 October 2004 to 10 October 2008	11 October 2008 to 28 August 2012	250,000	-	-	-	250,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	-	-	-	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	-	-	-	1,500,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Directors – continued:								
So Hon Cheung, Stephen								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	-	-	-	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	125,000	-	-	-	125,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	125,000	-	-	-	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	125,000	-	-	-	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	125,000	-	-	-	125,000
Lin Wei Ping								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	500,000	-	-	-	500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	500,000	-	-	-	500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	500,000	-	-	-	500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	500,000	-	-	-	500,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Directors – continued:								
Li Weibin								
28 July 2004	2.275	N/A	28 July 2004 to 28 August 2012	500,000	–	–	–	500,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	125,000	–	–	–	125,000
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	125,000	–	–	–	125,000
Leung Chi Ching, Frederick								
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	1,500,000	–	–	–	1,500,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	1,500,000	–	–	–	1,500,000
				73,000,000	–	–	–	73,000,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period (Note b)	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Employees/Consultants:								
5 October 2002	0.840	5 October 2002 to 4 October 2005	5 October 2005 to 28 August 2012	2,626,000	-	-	(626,000)	2,000,000
		5 October 2002 to 4 October 2006	5 October 2006 to 28 August 2012	2,626,000	-	-	(626,000)	2,000,000
		28 March 2003 to 27 March 2006	28 March 2006 to 28 August 2012	76,000	-	-	-	76,000
		28 March 2003 to 27 March 2007	28 March 2007 to 28 August 2012	72,000	-	-	-	72,000
9 June 2003	0.752	9 June 2003 to 8 June 2005	9 June 2005 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2006	9 June 2006 to 28 August 2012	500,000	-	-	-	500,000
		9 June 2003 to 8 June 2007	9 June 2007 to 28 August 2012	500,000	-	-	-	500,000
27 June 2003	0.742	27 June 2003 to 26 June 2005	27 June 2005 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2006	27 June 2006 to 28 August 2012	250,000	-	-	-	250,000
		27 June 2003 to 26 June 2007	27 June 2007 to 28 August 2012	250,000	-	-	-	250,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period (Note b)	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Employees/Consultants – continued:								
16 October 2003	1.660	16 October 2003 to 15 October 2004	16 October 2004 to 28 August 2012	23,229,000	-	-	-	23,229,000
		16 October 2003 to 15 October 2005	16 October 2005 to 28 August 2012	24,365,000	-	-	-	24,365,000
		16 October 2003 to 15 October 2006	16 October 2006 to 28 August 2012	24,965,000	-	-	-	24,965,000
		16 October 2003 to 15 October 2007	16 October 2007 to 28 August 2012	28,565,000	-	-	-	28,565,000
		16 October 2003 to 15 October 2008	16 October 2008 to 28 August 2012	6,000,000	-	-	-	6,000,000
26 February 2004	2.575	26 February 2004 to 25 February 2005	26 February 2005 to 28 August 2012	100,000	-	-	-	100,000
		26 February 2004 to 25 February 2006	26 February 2006 to 28 August 2012	100,000	-	-	-	100,000
		26 February 2004 to 25 February 2007	26 February 2007 to 28 August 2012	100,000	-	-	-	100,000
		26 February 2004 to 25 February 2008	26 February 2008 to 28 August 2012	100,000	-	-	-	100,000
16 April 2004	2.740	16 April 2004 to 15 April 2005	16 April 2005 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2006	16 April 2006 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2007	16 April 2007 to 28 August 2012	132,500	-	-	-	132,500
		16 April 2004 to 15 April 2008	16 April 2008 to 28 August 2012	132,500	-	-	-	132,500

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period (Note b)	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Employees/Consultants – continued:								
28 July 2004	2.275	28 July 2004 to 27 July 2005	28 July 2005 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2006	28 July 2006 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2007	28 July 2007 to 28 August 2012	5,000,000	-	-	-	5,000,000
		28 July 2004 to 27 July 2008	28 July 2008 to 28 August 2012	5,000,000	-	-	-	5,000,000
30 September 2004	2.175	30 September 2004 to 29 September 2005	30 September 2005 to 28 August 2012	30,000	-	-	-	30,000
		30 September 2004 to 29 September 2006	30 September 2006 to 28 August 2012	30,000	-	-	-	30,000
		30 September 2004 to 29 September 2007	30 September 2007 to 28 August 2012	30,000	-	-	-	30,000
		30 September 2004 to 29 September 2008	30 September 2008 to 28 August 2012	30,000	-	-	-	30,000
5 October 2004	2.200	5 October 2004 to 4 October 2005	5 October 2005 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2006	5 October 2006 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2007	5 October 2007 to 28 August 2012	1,250,000	-	-	-	1,250,000
		5 October 2004 to 4 October 2008	5 October 2008 to 28 August 2012	1,250,000	-	-	-	1,250,000

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 30 September 2008
				Outstanding at 1 April 2008	Granted during the period (Note b)	Exercised/ cancelled during the period	Lapsed during the period	
Employees/Consultants – continued:								
25 January 2006	1.136	25 January 2006 to 24 January 2007	25 January 2007 to 28 August 2012	125,000	-	-	-	125,000
		25 January 2006 to 24 January 2008	25 January 2008 to 28 August 2012	125,000	-	-	-	125,000
		25 January 2006 to 24 January 2009	25 January 2009 to 28 August 2012	125,000	-	-	-	125,000
		25 January 2006 to 24 January 2010	25 January 2010 to 28 August 2012	125,000	-	-	-	125,000
11 May 2007	1.048	11 May 2007 to 10 May 2008	11 May 2008 to 28 August 2012	5,000,000	-	-	(125,000)	4,875,000
		11 May 2007 to 10 May 2009	11 May 2009 to 28 August 2012	5,000,000	-	-	(125,000)	4,875,000
		11 May 2007 to 10 May 2010	11 May 2010 to 28 August 2012	5,000,000	-	-	(125,000)	4,875,000
		11 May 2007 to 10 May 2011	11 May 2011 to 28 August 2012	5,000,000	-	-	(125,000)	4,875,000
1 February 2008	0.770	1 February 2008 to 31 January 2009	1 February 2009 to 29 August 2012	8,087,500	-	-	-	8,087,500
		1 February 2008 to 31 January 2010	1 February 2010 to 29 August 2012	8,087,500	-	-	-	8,087,500
		1 February 2008 to 31 January 2011	1 May 2011 to 29 August 2012	8,087,500	-	-	-	8,087,500
		1 February 2008 to 31 January 2012	1 May 2012 to 29 August 2012	8,087,500	-	-	-	8,087,500

Share Options – continued

Under 2002 Share Option Scheme – continued

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding at 1 April 2008	Granted during the period (Note b)	Exercised/ cancelled during the period	Lapsed during the period	Outstanding at 30 September 2008
Employees/Consultants – continued:								
2 April 2008	0.712	2 April 2008 to 1 April 2009	2 April 2009 to 28 August 2012	-	750,000	-	-	750,000
		2 April 2008 to 1 April 2010	2 April 2010 to 28 August 2012	-	750,000	-	-	750,000
		2 April 2008 to 1 April 2011	2 April 2011 to 28 August 2012	-	750,000	-	-	750,000
		2 April 2008 to 1 April 2012	2 April 2012 to 28 August 2012	-	750,000	-	-	750,000
19 August 2008	0.830	19 August 2008 to 18 August 2009	19 August 2009 to 28 August 2012	-	2,225,000	-	-	2,225,000
		19 August 2008 to 18 August 2010	19 August 2010 to 28 August 2012	-	2,225,000	-	-	2,225,000
		19 August 2008 to 18 August 2011	19 August 2011 to 28 August 2012	-	2,225,000	-	-	2,225,000
		19 August 2008 to 18 August 2012	19 August 2012 to 28 August 2012	-	2,225,000	-	-	2,225,000
				193,674,000	11,900,000	-	(1,752,000)	203,822,000
				266,674,000	11,900,000	-	(1,752,000)	276,822,000

Note b: During the period ended 30 September 2008, 11,900,000 share options in aggregate were granted to eligible persons as defined in 2002 Share Option Scheme on 2 April 2008 and 19 August 2008 respectively. The closing share price of the Company's shares on 1 April 2008, the trading day preceding the date of grant of 3,000,000 share options were HK\$0.69. The closing share price of the Company's shares on 18 August 2008, the trading day preceding the date of grant of 8,900,000 share options were HK\$0.81. Other than the options stated above, no options had been granted by the Company to the other participants pursuant to 2002 Share Option Scheme during the period ended 30 September 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

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

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

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

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

Model Code

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transaction by directors adopted by the Company throughout the six months ended 30 September 2008.

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 2008 as described in the "Corporate Governance Report" of the Company's annual report 2007/08.

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

Board Committees

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by four Board Committees, namely Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board, the summary of which were disclosed in the "Corporate Governance Report" of the Company's annual report 2007/08. The full terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link www.skyworth.com/investor.

Executive Committee

An Executive Committee was established by the Board on 5 February 2005. The Executive Committee currently comprises twelve members, including executive directors and senior management of the Company. During the period and up to the date of this report, the Executive Committee had held monthly meetings to review and evaluate the budget and the monthly and quarterly business performance of each major subsidiary within the Group, and discussed other business and operational matters.

Nomination Committee and Remuneration Committee

The Nomination Committee and Remuneration Committee were both set up under the auspices of the Board on 5 February 2005. Each of the Nomination Committee and Remuneration Committee currently comprises four members, including Mr. So Hon Cheung, Stephen as Chairman and Mr. Li Weibin, Mr. Xie Zhengcai and Mr. Leung Chi Ching, Frederick as members. Except that Mr. Leung Chi Ching, Frederick is an executive director of the Company, the other three members are all independent non-executive directors of the Company.

During the period and up to the date of this report, the Nomination Committee held two meetings to review the composition of the Board and to review the terms of the service contracts of the directors of the Company. The Remuneration Committee also held two meetings to review the compensation and incentive package for the senior management of the Group, to review the amount of bonus payable to senior management by the Group for performance incentive for the year ended 31 March 2008, and to discuss the work plan for the Remuneration Committee in this financial year.

Audit Committee

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

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

- (a) reviewed and commented on the Company's draft annual and interim financial reports;
- (b) commented on the Company's corporate governance practices and the Group's systems of internal control;
- (c) discussed on the Group's internal audit plan with the Risk Management Department; and
- (d) met with the external auditors.

Risk Management

The Board acknowledges that risk management is one of the key controls to monitor the effectiveness of financial reporting and internal control systems within the Group. To enhance better corporate governance in these aspects, independent unit from the Board, namely Risk Management Department, was established.

Risk Management Department

The Risk Management Department was established at the end of 2005 with its major duty to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administration in the achievement of the organizational goals and objectives by striving to provide a positive impact on:

- (a) efficiency and effectiveness of operating functions;
- (b) reliability of financial reporting;
- (c) status of implementation and effectiveness of the internal control policies and procedures; and
- (d) compliance with applicable laws and regulations.

The Head of Risk Management Department has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. During the period and up to the date of this report, the Head of Risk Management attended one meeting with the Board and two meetings with the Audit Committee to report the progress and findings of the works performed so far and to discuss the internal audit plan of the Group.

Closure of the Register of Members

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

Board of Directors

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

On behalf of the Board

Zhang Xuebin

*Executive Chairman And
Chief Executive Officer*

10 December 2008