SKYWORTH DIGITAL HOLDINGS LIMITED

（創維數碼控股有限公司*）

(incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

Highlights of Results

Skyworth Digital Holdings Limited (the "Company"), together with its subsidiaries, the ("Group") recorded the following results for the six months ended 30 September 2012 (the "Period"):

- Turnover increased by 25.4% from that of the same period last year, reached HK$16,389 million (84.2% from mainland China market).
- Sales of television products and digital set-top boxes accounted for 81.4% and 12.3% of the Group's total turnover, respectively.
- Gross profit achieved HK$3,301 million, increased by 19.1%; the gross profit margin was 20.1%, decreased by 1.1 percentage points compared with that for the same period last year.
- Unaudited profit before and after non-controlling interests for the Period were HK$618 million and HK$569 million, respectively, increased by 27.4% and 23.4%, respectively, on a year-on-year basis.
- The Board has proposed an interim dividend of HK7 cents per share with an option to elect scrip dividend in lieu of cash.

The Board of Skyworth Digital Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012. These results have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

	NOTES	Six months ended 30 September 2012 *(unaudited)*	2011 *(unaudited)*
Turnover	3	**16,389**	13,074
Cost of sales		**(13,088)**	(10,303)
Gross profit		**3,301**	2,771
Other income		**268**	199
Other gains and losses		**(32)**	(15)
Selling and distribution expenses		**(2,089)**	(1,813)
General and administrative expenses		**(604)**	(454)
Finance costs		**(67)**	(75)
Share of result of an associate		**1**	-
Share of results of jointly controlled entities		**(4)**	14
Profit before taxation		**774**	627
Income tax expense	5	**(156)**	(142)
Profit for the period	6	**618**	485
Other comprehensive (expense) income			
Exchange differences arising on translation		**-**	189
Fair value loss on available-for-sale financial assets		**(17)**	(90)
Reclassification adjustment upon impairment of available-for-sale financial assets		**-**	79
Fair value gain on cash flow hedges		**1**	1
Loss on cash flow hedges reclassified to profit and loss		**6**	-
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**-**	(8)
Other comprehensive (expense) income for the period		**(10)**	171
Total comprehensive income for the period		**608**	656
Profit for the period attributable to:			
Owners of the Company		**569**	461
Non-controlling interests		**49**	24
		618	485
Total comprehensive income for the period attributable to:			
Owners of the Company		**559**	626
Non-controlling interests		**49**	30
		608	656
Earnings per share (expressed in HK cents)			
Basic	7	**21.10**	17.70
Diluted	7	**20.96**	17.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2012

Amounts expressed in millions of Hong Kong dollars

	NOTES	**As at 30 September 2012** *(unaudited)*	As at 31 March 2012 *(audited)*
Non-current Assets			
Property, plant and equipment		**2,563**	2,328
Investment properties		**11**	11
Prepaid lease payments on land use rights		**425**	416
Interest in an associate		**7**	6
Interests in jointly controlled entities		**224**	218
Other receivable		**106**	102
Available-for-sale investments		**133**	143
Deposit for acquisition of property, plant and equipment		**45**	-
Deferred tax assets		**63**	60
		3,577	3,284
Current Assets			
Inventories		**4,815**	3,151
Stock of properties		**203**	40
Prepaid lease payments on land use rights		**10**	10
Trade and other receivables, deposits and prepayments	9	**6,000**	3,512
Bills receivable	10	**8,020**	9,118
Derivative financial instruments		**1**	3
Amounts due from jointly controlled entities		**43**	52
Amounts due from non-controlling shareholders of a subsidiary		**-**	19
Held for trading investments		**2**	3
Tax recoverable		**15**	14
Structured bank deposits		**117**	224
Pledged bank deposits		**579**	630
Bank balances and cash		**3,359**	2,164
		23,164	18,940
Current Liabilities			
Trade and other payables	11	**10,705**	7,107
Bills payable	12	**1,430**	941
Dividend payable		**271**	-
Obligations arising from put options written to non-controlling interests		**176**	160
Derivative financial instruments		**20**	20
Provision for warranty		**120**	101
Amounts due to jointly controlled entities		**4**	4
Amount due to an associate		**43**	-
Tax liabilities		**126**	198
Bank borrowings		**3,230**	3,568
Deferred income		**42**	22
		16,167	12,121
Net Current Assets		**6,997**	6,819
Total Assets less Current Liabilities		**10,574**	10,103

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 30 SEPTEMBER 2012

Amounts expressed in millions of Hong Kong dollars

	As at 30 September 2012 ***(unaudited)***	As at 31 March 2012 *(audited)*
Non-current Liabilities		
Obligations arising from put options written to non-controlling interests	**203**	202
Provision for warranty	**38**	32
Bank borrowings	**655**	715
Deferred income	**484**	314
Deferred tax liabilities	**173**	172
	1,553	1,435
NET ASSETS	**9,021**	8,668
Capital and Reserves		
Share capital	**271**	269
Share premium	**2,096**	2,085
Share option reserve	**140**	144
Investment revaluation reserve	**(17)**	-
Surplus account	**38**	38
Capital reserve	**400**	400
Exchange reserve	**998**	998
Hedging reserve	**(13)**	(20)
Accumulated profits	**4,879**	4,555
Equity attributable to owners of the Company	**8,792**	8,469
Non-controlling interests	**229**	199
	9,021	8,668

NOTES:

1. BASIS OF PREPARATION

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

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue and expenses during the reporting period. The key estimates and assumptions are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 March 2012.

The Group's operations are seasonal, the turnover from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the turnover from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 March 2012.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

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

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$ million	HK$ million
Sales of TV products	**13,338**	10,992
Sales of digital set-top boxes	**2,010**	1,535
Processing income and sales of LCD modules	**215**	187
Sales of other electronic products	**790**	323
Property rental income	**36**	37
	16,389	13,074

4. SEGMENT INFORMATION

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

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

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

4. SEGMENT INFORMATION - continued

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

For the six months ended 30 September 2012

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Segment total	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover									
Segment revenue from external customers	**12,159**	**1,179**	**2,010**	**215**	**790**	**36**	**16,389**	**-**	**16,389**
Inter-segment revenue	**172**	**-**	**-**	**413**	**462**	**5**	**1,052**	**(1,052)**	**-**
Total segment revenue	**12,331**	**1,179**	**2,010**	**628**	**1,252**	**41**	**17,441**	**(1,052)**	**16,389**
Results									
Segment results	**670**	**1**	**216**	**69**	**(22)**	**20**	**954**	**-**	**954**
Interest income									**28**
Unallocated corporate expenses less income									**(138)**
Finance costs									**(67)**
Share of result of an associate									**1**
Share of results of jointly controlled entities									**(4)**
Consolidated profit before taxation of the Group									**774**

For the six months ended 30 September 2011

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

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

Inter-segment revenue is charged at prevailing market rates.

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Income tax expense comprise:		
PRC income tax		
Current period	**158**	129
Underprovision in prior periods	**-**	1
	158	130
Deferred taxation	**(2)**	12
	156	142

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

PRC income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for both periods.

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to enterprise income tax pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK$1 million (for the six months ended 30 September 2011: HK$15 million) in respect of the additional undistributed earnings of subsidiaries, jointly controlled entities and an associate has been recognised in profit or loss for the period. HK$1 million of previously provided (for the six months ended 30 September 2011: HK$1 million) has been reversed and charged as current tax upon distributions by its subsidiaries during the period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of HK$50 million (for the six months ended 30 September 2011: HK$34 million)	**13,071**	10,287
Depreciation of		
- property, plant and equipment	**142**	106
- investment properties	**-**	2
Dividend income from		
- listed investments	**-**	(4)
- unlisted investments	**(5)**	(11)
Government grants	**(82)**	(44)
Impairment loss on trade receivables	**23**	12
Interest income:		
Interest income from bank deposits	**(23)**	(28)
Imputed interest income from		
- trade receivables from settlement on instalments	**(1)**	(2)
- other receivable	**(4)**	(3)
	(28)	(33)
Release of prepaid lease payments on land use rights	**5**	4
Rental income from leasing of properties less related outgoings of HK$17 million (for the six months ended 30 September 2011: HK$16 million)	**(19)**	(21)
Staff costs, including directors' emoluments	**1,334**	1,044

7 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**569**	461
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,696,973,195**	2,604,055,897
Effect of dilutive potential ordinary shares in respect of share options outstanding	**18,250,057**	79,144,082
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,715,223,252**	2,683,199,979

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

8. DIVIDENDS

Subsequent to 30 September 2012, a dividend of HK10 cents per share, amounting to HK$271 million in total, was distributed to shareholders on 17 October 2012 as the final dividend for the year ended 31 March 2012. Such amount was recognised as distribution and as dividend payable on the condensed consolidated statement of financial position when such declaration of dividend was approved by the shareholders in the Company's Annual General Meeting held on 28 August 2012. Of such final dividend, an aggregate amount of HK$185 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

During the six months ended 30 September 2011, a dividend of HK9 cents per share, amounting to HK$235 million in total, was distributed to the shareholders as the final dividend for the year ended 31 March 2011. Of such final dividend, an aggregate of HK$114 million was satisfied by way of scrip dividend by an allotment of new shares of the Company credited as fully paid.

The Board of Directors has resolved that an interim dividend of HK7 cents per share for the year ending 31 March 2013, amounting to HK$194 million in total, be paid to the shareholders of the Company whose names appear in the Register of Members on 14 December 2012 with an option to elect scrip dividend wholly or partly in lieu of cash dividend.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

For sales of digital set-top boxes, the credit terms are normally ranging from 90 days to 270 days. Sales to certain customers in the PRC are on installment basis for a period ranging from 2 years to 4.5 years.

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

The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period, and other receivables, deposits and prepayment:

	As at 30 September 2012 (unaudited) HK$ million	As at 31 March 2012 (audited) HK$ million
Within 30 days	**2,743**	1,077
31 to 60 days	**308**	265
61 to 90 days	**144**	224
91 to 365 days	**935**	637
Over 365 days	**347**	302
Trade receivables	**4,477**	2,505
Deposits for land use rights of stock of properties	**303**	-
Purchase deposits paid for materials	**342**	231
Value-added-tax (“VAT”) receivables	**289**	360
Other deposits paid, prepayments and other receivables	**589**	416
	6,000	3,512

10. BILLS RECEIVABLE

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

	As at 30 September 2012 (unaudited) HK$ million	As at 31 March 2012 (audited) HK$ million
Within 30 days	**1,194**	1,354
31 to 60 days	**683**	1,224
61 to 90 days	**638**	2,152
91 days or over	**4,140**	2,970
Bills endorsed to suppliers with recourse	**1,365**	1,049
Bills discounted to banks with recourse	**-**	369
	8,020	9,118

The carrying values of bills endorsed to suppliers and bills discounted to banks with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group is still exposed to credit risk on these receivables at the end of the reporting period. Accordingly, the liabilities associated with such bills, mainly borrowings and payables are recognised in the condensed consolidated financial statements as well.

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

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

11. TRADE AND OTHER PAYABLES

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

	As at 30 September 2012 (unaudited) HK$ million	As at 31 March 2012 (audited) HK$ million
Within 30 days	**3,766**	1,449
31 to 60 days	**1,318**	658
61 to 90 days	**575**	574
91 days or over	**197**	393
Trade payables under endorsed bills	**1,365**	1,049
Trade payables	**7,221**	4,123
Accrued selling and distribution expenses	**436**	382
Accruals and other payables	**801**	549
Accrued staff costs	**427**	388
Deposits received for sales of goods	**970**	855
Deposits received for sales of properties	**114**	41
Other deposits received	**189**	253
Sales rebate payable	**516**	392
VAT payable	**31**	124
	10,705	7,107

The maturity dates of trade payables under endorsed bills are less than six months from the end of the reporting period.

12. BILLS PAYABLE

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

	As at 30 September 2012 (unaudited) HK$ million	As at 31 March 2012 (audited) HK$ million
Within 30 days	**364**	250
31 to 60 days	**230**	188
61 to 90 days	**579**	175
91 days or over	**257**	328
	1,430	941

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

13. PLEDGE OF ASSETS

At 30 September 2012, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$79 million (as at 31 March 2012: HK$79 million) and HK$59 million (as at 31 March 2012: HK$59 million) respectively; and

(b) pledged bank deposits of HK$579 million (as at 31 March 2012: HK$630 million).

In addition, there were bills receivable endorsed to suppliers with recourse of HK$1,365 million (as at 31 March 2012: HK$1,049 million) and no bills receivable discounted to banks with recourse (as at 31 March 2012: HK$369 million) as disclosed in note 10.

BUSINESS PERFORMANCE REVIEW

(1) Sustainable growth in turnover

The Group's turnover for the Period reached HK$16,389 million, representing an increase of 25.4% over the same period last year.

"Continuously improving, never stop innovation" is our Group's philosophy to succeed and has successfully transformed our Group's sales mission to customer-orientation. During the period, the Group continued to improve its product development abilities and expand its promotions on its high-end products. It also strengthens the system of sales and after-sales service as well as exploring new sales channel such as e-commerce channel, commercial TV channel and specialty store with successful marketing strategies and a series of promotional activities. From the stimulation of the televisions ("TVs") with three dimensional ("3D") features and light emitting diode backlight ("LED LCD") and Cloud TVs, the Group's turnover recorded a sustainable growth in the mainland China TV market.

Although the western economy still depressed, the Group concentrated in exploring areas in the emerging markets. The turnover in overseas market roared by 82.3% over the same period last year in particular for the sales of digital set-top boxes and home applicances.

(2) Turnover analysis by geographical and product segments

(a) Mainland China market

During the Period, the mainland China market accounted for 84.2% of the Group's total turnover, recorded a 18.4% growth from HK$11,654 million for the same period last year to HK$13,800 million.

The Group's TV business in mainland China accounted for 89.4% of the total domestic turnover. The sales of digital set-top boxes and LCD modules accounted for 6.3% and 1.1%, respectively. Other business units include those engaged in manufacturing of washing machines, refrigerators, moulds, automobile electronics, other electronic products and rental collection etc., attributed the remaining 3.2%.

TV products

During the Period, the demand for the TV products in mainland China encountered challenges from the China's economic growth slowdown and continuous tight measures in the property sector in the mainland China. The Group's TV products sales in mainland China market grew by 20.4% and reached HK$12,342 million. According to the TV market survey performed by All View Consulting Co., Ltd. ("AVC"), Skyworth LCD TVs (including CCFL and LED LCD TVs), 3D LCD TVs (including CCFL and LED LCD TVs) and all TV ranked first in terms of cumulative sales volume and amount, representing 16.7%, 26.7% and 15.5%, and 16.2%, 22.2% and 14.7% of total market share, respectively, for twelve consecutive months ended 30 September 2012. AVC is established by China Video Industry Association. It is a market research and marketing consulting company focusing on consumer electronic and home appliance industry. Such survey's data covered 711 major cities within China region and 6,023 retail terminals for all brands of TVs.

The Group designed CooCaa TV and "Cloud" TV series based on the technologies of energy saving and healthiness and have already gained consumers' acceptance. During the Period, over 3.90 million Flat Panel TVs under Skyworth brand were sold in mainland China, of which 3.62 million were LED LCD TVs, rose by 133.5% and accounted for 92.6% of the Group's total TV sales in mainland China. Included in the LED LCD TVs, volume of 1.17 million refers to 3D LED LCD TVs representing 29.9% of the Group's total TV sales in mainland China market. While the sales volume of Cloud TVs has reached at 0.51 million, represented 13.0% of the Group's total TV sales in mainland China market.

During the period, the Group devoted more resources in product innovations and research and development ("R&D") in complied with our high-end TV products strategy, and endeavored to cater for our consumer expectations. The Group published a new product of 4K2K Ultra High Definition ("UHD") LCD TVs and different display sizes of UHD Cloud TVs in August 2012. This indicates that the TVs under Skyworth brand would attract more consumption through product upgrade and replacement and enhance the demand for super-large size LCD TVs through technology advancement in the coming half-year period.

Being the technology advancement and the product innovations, the TV products of the Group has won awards that could strengthen brand awareness and boost up the turnover of TV products in the mainland China. During the Period, other key awards contributed to our brand and sales improvement of TV products including:

- In the "2012 Seventh China Digital TV Annual Festival", the Group was granted "2012 Outstanding Contribution Award" in terms of Integrated unit, Technological unit and Product type unit. SkyCloud technology won the "2012 Technology Innovation Award" and E800A also won the "2012 Product Innovation Award".

- In the "2012 Eighth Summit Forum of China Digital TV Industry", E800A won the "2012 China's Top Ten Flat Panel TV Award".

- Shenzhen Skyworth-RGB Electronics Co., Ltd was honored as an "advanced enterprise in after-sale service of consumption electronics (color TV industry)" under China Video Industry Association (CVIA).

- In the latest "2012 Chinese Customer Satisfaction Handbook", the Group was granted "5-star enterprise for service quality" in the color TV industry.

Digital set-top boxes

The digital set-top boxes turnover in mainland China market recorded HK$871 million, representing a decrease of 6.6% or HK$62 million, compared with HK$933 million recorded in the same period of previous year.

Realizing that the deferred demand for the digital set-top boxes in major cities in mainland China market and keen price competition among the competitors, the turnover of digital set-top boxed was dropped. However, being the market leader, the Group has won the bid for "No Village Left" program of live broadcast satellite launched by the State Administration of Radio, Film and Television (SARFT) in 2012. Such bid covers four provinces, namely Jilin, Shaanxi, Xinjiang and Fujian. Following the development of "Cloud TV", the Group introduced the "i.Kan" new product series. The new product is an Android based digital HD TV set-top box with the aim to meet the customer expectations, e.g. 3D HD TV program, HD decoding, dual interactive business, family multimedia function, cloud computing etc. This would benefit the turnover of digital set-top boxes in the second half-year period.

LCD modules

LCD modules turnover in mainland China recorded HK$146 million, representing a decrease of HK$38 million or 20.7%.

During the Period, the LCD modules focused on exploring in overseas markets and engaged in the Group's internal operation which slightly affected its turnover to outsiders in the mainland China. But the sales of the small-size LCD modules maintained a steady growth. Following the Group's decision to cease all productions of cold cathode fluorescent lamp ("CCFL") LCD, the LCD modules business unit is now under the production of low-cost direct LED Backlight modules and Edge LED Backlight modules as a replacement of the production of CCFL modules. Moreover, the LCD modules business unit is in progress negotiating with new potential customers and expecting to launch for production in a short period of time. The turnover to outsiders of LCD Modules would expect to be improved in the second half-year period.

(b) Overseas market

The turnover generated from overseas markets accounted for HK$2,589 million, or 15.8% of the Group's total turnover for the Period. Compared with HK$1,420 million turnover recorded in the same period of previous year, representing an increase of 82.3%.

TV products

The turnover of overseas TV products for the Period was HK$996 million, or 38.5% of the total overseas turnover, grew by 34.2%. Sales volume slightly decreased by 0.9% to 1.12 million sets, of which cathode ray tube ("CRT") TVs decreased to 0.24 million sets, equivalent to 68.0% and flat panel TV sharply increased by 131.6% to 0.88 million sets.

During the Period, through implementing a series of promotional activities, TVs with Skyworth brand name have gained more acceptances from overseas customers. The Group always innovates and optimises its product structure and combinations in order to issue flexibility product mix for meeting customers' expectation. The Group also incorporate sales offices in emerging markets in India, South-east Asia and Australia etc. for our own brand distribution. The interim turnover was encouraging in overseas markets.

In addition, the key factors of the increase in the turnover of overseas TV products include:

- strengthen the development of the sales network in the overseas market, closely co-operative with the agents of large chain stores and provide excellent after-sale services in order to maintain the product price competitiveness and gross profit margin;

- seize the demand for the digital conversion and introduce high-end products in the emerging markets; and

- creates synergy effects through successful implementation of strategic cooperation that realise the real growth of the Group's operation.

Digital set-top boxes

Overseas digital set-top boxes turnover for the Period increased by 89.2% to HK$1,139 million from the same period last year.

Although the worldwide economic situation had been worsening persistently, digital set-top boxes turnover in Asia recorded a substantial increase of 134.4%. Our brand image and market shares benefited from the flexibility product mix and tighten customer relationship as well as successful marketing strategies adoption. In addition, the new markets expansion in India, induced drastic digital set-top box sales in the Asia market. The digital set-top boxes business will continue to seize the opportunity of large-scale digital conversion in South-East Asia and South America and actively exploit overseas markets in Eastern Europe, Russia and Africa so as to consolidate its position in the overseas market.

Geographical distribution

During the Period, Asia, America and Europe were the Group's major overseas markets, with aggregation to 88% in overseas turnover. The turnover from Asia market rose by 11 percentage points due to emerging markets expansion. The remaining 12% of overseas turnover belongs to Middle East, Australia and New Zealand and Africa. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	Six months ended 30 September	
	2012 (%)	2011 (%)
Asia (including Japan, Korea, Vietnam, etc.)	45	34
America	22	25
Europe	21	23
Middle East	6	6
Africa	5	9
Australia and New Zealand	1	3
	100	100

(3) Gross profit margin

For the Period, the overall gross profit margin of the Group dropped 1.1 percentage points from 21.2% to 20.1% in comparison to the same period last year.

As the market demand for the high-end products is high, the production cost putting in the high-end product continuously increased. In addition, the Group plans to cease production of CCFL LCD TVs before the year-end and continue to dispose the existing inventories, which adversely affected the gross profit margin of TV products. With the subsidy to energy conservative products, demands for low gross profit margin and smaller sizes models increased substantially in third-fourth tiers market, which constitutes one of the major reason for the declining gross profit margin.

On the other hand, TV and other business units of the Group actively emerged in the overseas market. Price determination has to be adjusted in order to enhance the market share in the overseas market which led a drop to the overall gross profit margin.

In the second half year period, the Group would cease to produce CCFL LCD TVs with low gross profit margin and accelerate shifting to middle to high ended products. It would expect the sales volume of LED LCD TVs and 3D TVs which have higher gross profit to be boost up. This would led to an increase in the average selling price and gross profit margin as well as the Group's profit.

(4) Selling and distribution expenses

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, sales and marketing related salaries, maintenance and transportation expenses. During the Period, S&D expenses rose 15.2% or HK$276 million from the same period last year to HK$2,089 million. The ratio of S&D expense to turnover decreased 1.2 percentage points from 13.9% to 12.7%.

During the Period, in line with a series of new products, the Group launched various promotional projects. The Group also organized technical presentations, media advertisement and other activities to reinforce our brand influence that increased the advertising expenses by 22.3%. These corresponding selling costs increased as a result of the increase in the turnover including exhibition and flagship store expenditures, promotional manpower expenses, and sales performance bonus.

Albeit an increase to S&D expenses, the Group endeavored to improve product reliability continuously, constraining warranty and maintenance costs to enhance brand and Group's reputation that maximised stakeholder interests in the long run.

(5) General and administrative expenses

The Group's general and administrative ("G&A") expenses for the Period rose by HK$150 million or 33.0% to HK$604 million. The G&A expenses to turnover ratio for the Period slightly increased by 0.2 percentage points to 3.7%.

To maintain Skyworth with the ability to offer the quality products with features in latest technology, the Group had devoted more resources in R&D and technology development during the Period, that triggered an increase in R&D expenses and technology development by HK$60 million or 63.5% and HK$24 million or 103.4% respectively. In addition, the staff salary and welfare increased by HK$13 million, or 8.6% due to the increase in number of employees and the salary and also the performance related bonus. Other expenses did not change significantly, compared with that of the same period last year.

Management of the Group believes to maintain a high standard of cost control to G&A expenses were for the benefits of the Group. Management regularly reviewed and updated controls and procedures to ensure that cost objective can be achieved.

(6) Inventory control

The net carrying value of the Group's inventories reached HK$4,815 million as at the Period ended, representing an increase of HK$1,664 million or 52.8% as at 31 March 2012 and an increase of HK$274 million or 6.0% as at 30 September 2011. The increment was mainly due to an expanded production scales and changes in raw material components structure resulting to the increase in the total quantities and the unit cost of overall inventory.

Having higher market demand in the middle to high-ended TV products, the corresponding raw materials and supplements would be comparably higher that pushed up the carrying value of the overall inventory. In addition, realignment to raw material reserves was made for scale-up production, mitigating risks of future costs and output disruption. Furthermore, to meet the demand in National Day Holidays and to match up the launching of the energy saving series also led to higher inventory level.

As at the Period ended, the inventory turnover days for raw materials and finished goods were 19 days and 34 days respectively. The inventory turnover shortened in comparison to same period ended last year, reflecting the effectiveness on inventory control and speeding up to the products transformation.

(7) Trade receivables and bills receivable

At 30 September 2012, the Group had a total of HK$12,497 million trade receivables and bills receivable, increased by HK$874 million, or 7.5% compared to that as at 31 March 2012. Trade receivables increased by HK$1,972 million or 78.7% to HK$4,477 million, whilst bills receivable dropped by HK$1,098 million or 12.0% to HK$8,020 million. Such increase is coherent with the seasonal peak in September greeting for the National Day in mainland China.

The tightening of credit limit among domestic banks caused a decline in bills receivable and imposed pressure on trade receivables. However, with flexible and reliable characteristics of bills receivable, the Group will continue to take this advantage to increase the proportion of bills receivable, not only accelerated the recovery of cash, but also avoided the risk of bad and doubtful debts.

Comparing to the same period ended last year, both of trade receivables and bills receivable increased by a total of HK$2,313 million or 22.7%. Trade receivables increased by HK$1,026 million, whilst bills receivable increased by HK$1,287 million. This is mainly resulted from the increase in the turnover during the period and the extension of the credit period to new customers.

(8) Trade payables and bills payable

As at 30 September 2012, the Group's trade payables and bills payable amounted to HK$7,221 million and HK$1,430 million, respectively. As compared with that as at 31 March 2012, the trade payables increased by HK$3,098 million or 75.1%; whist the bills payable increased by HK$489 million or 52.0%. At the Period ended, trade payable and bills payable increased primarily from massive procurements by TV, digital set-top boxes and home applicances divisions for meeting demands in peak season.

As compared with the amounts as at 30 September 2011, the trade payables and bills payable increased by HK$2,870 million and HK$639 million, respectively. This was mainly resulted from the increase in the purchase and the bills endorsed to suppliers by 75.2% arising from the increase in the turnover.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group maintained a strong financial position. The Group's net current assets as at the Period ended increased by HK$178 million or 2.6% from 31 March 2012. Bank balances and cash amounted to HK$3,359 million, representing an increase of HK$1,195 million, compared with that at 31 March 2012, an increase of HK$1,005 million from the same period last year; whilst the pledged bank deposits and structured bank deposit amounted to HK$579 million and HK$117 million at 30 September 2012, respectively, representing a decrease of HK$51 million and HK$107 million, respectively, compared with that at 31 March 2012. The decrease in pledged bank deposits at the Period end was mainly due to the foreign currency forward contracts with financial institutions as disclosed in note 17 of the interim financial report have been matured so that the corresponding cash released during the period.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. Such secured assets included HK$579 million bank deposits and certain prepaid lease payments on land use rights, leasehold land and properties in the mainland China and Hong Kong with net book value of HK$138 million (at 31 March 2012: HK$138 million) as at the Period end.

The Group adopted principle of prudence and committed to maintain a healthy financial position. At the end of the Period, total bank loans amounted to HK$3,885 million. Equity attributable to owners of the Company amounted to HK$8,792 million (at 31 March 2012: HK$8,469 million); debt to equity ratio was 44.2% (at 31 March 2012: 44.8%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the interim financial report.

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

TREASURY POLICY

Most of the Group's major investments and revenue stream situate in mainland China. The Group's assets and liabilities are mainly denominated in Renminbi ("RMB"); others included Hong Kong dollars and US dollars. The Group may require carrying out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group utilisation of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Period, the Group had recognised HK$17 million net foreign exchange losses due from US dollars loans associated with foreign currency forward contracts and general operation with reference to large fluctuations in RMB.

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements, and the optimistic view of anticipating RMB appreciation in the long run. During the Period, the Group remained several financial arrangements with certain banks, such as performance swap contract and cross-currency interest rate swaps contract of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollars. For details of the arrangements, please refer to note 17 of the interim financial report.

SIGNIFICANT INVESTMENTS AND ACQUISTITION

During the Period, an addition of HK$282 million in construction projects were under way, including certain new production line projects, the ongoing construction of logistic centers, and the new construction phases for Guangzhou, Inner Mongolia and Shenzhen production plants. These projects are positive influential to the productivity and bottleneck breakthroughs, providing tactics to complete orders on time. The Group had spent approximately HK$97 million on machinery in production line setups and other equipment; and has planned to commit HK$693 million on plant, logistic centers and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK$8 million in technological research and development through direct investments or available-for-sale investments in TV industries, to constitute supports for more integrated TV products development. To sustain further expansion and development of diversified businesses, HK$185 million was invested for establishment of new growth points to widen consumer choices of quality products.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Period. Guarantee for bank borrowing to one of its jointly controlled entities amounting to HK$25 million (at 31 March 2012: HK$25 million) are granted and disclosed in note 27 of the interim financial report.

Certain patent disputes 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. The directors of the Company are of the view that these patent disputes will not have a material adverse impact on the condensed consolidated financial statements of the Group.

HUMAN RESOURCES CAPITAL

At 30 September 2012, the Group had over 33,000 employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 41 branches and 204 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

OUTLOOK

The operating environment in TVs industry would expect to be challenging from the economy downturn in US and Eurozone and the China's economic growth slowdown in 2012. The Group would grasp the opportunity from PRC Government's policy in encouraging internal demands to optimize our product combinations, launch flexibility product mix, actively promote 3D LED LCD TVs, Cloud TVs and Smart TVs to third and fourth tiers markets as well as rural areas market in mainland China. These could boost up our sales volume of TV products. Hence, the Group has changed its annual sales volume target of TV products at 8.1 million units (including 4.2 million units of 3D LED LCD TVs and Cloud TVs).

For the overseas market, the Group continued to operating with cautious style policy. Not only keep on exploring the growth in the emerging markets, but also strengthen the market share in Europe, Middle East, Russia and Africa etc. in order to consolidate the position in the overseas market. In addition, the Group would accelerate the penetration of middle-high end products to increase its sales proportion in the overseas market. Hence, the Group is confident to maintain its annual sales volume at 2.4 million units.

The Group will maintain its strategy of developing other existing business units. It is encouraging to note that certain of these business units are heading toward the right direction and expecting to contribute reasonable results to the Group.

CORPORATE GOVERNANCE STANDARDS

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

During the period and up to the date of this report, the Company actively responded to the deviations with the Code that was existed within the Group during the year ended 31 March 2012 as described in the "Corporate Governance Report" of the Company's annual report 2011/12.

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 2011/12.

AUDIT COMMITTEE

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

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

(a) reviewed and commented on the Company's draft annual and interim financial reports;
(b) commented on the Group's systems of internal control;
(c) reviewed the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff of accounting and financial reporting function of the Group;
(d) discussed on the Group's internal audit plan with the Risk Management Department; and
(e) met with the external auditors.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transaction by directors adopted by the Company throughout the six months ended 30 September 2012.

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

During the six months ended 30 September 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board of the Company has resolved to pay an interim dividend for the six months ended 30 September 2012 of HK7 cents (2011: HK5.5 cents) per ordinary share, totaling approximately HK$194 million (2011: HK$146 million) to the shareholders of the Company on or around 31 January 2013 whose names appear on the register of members of the Company at the close of business on 14 December 2012. Shareholders may elect to receive interim dividend in the form of new shares of the Company or cash or partly in shares and partly in cash.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday,14 December 2012 to Thursday, 20 December 2012, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 31 January 2013, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 13 December 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.skyworth.com) and the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.com.hk). The Company's 2012/2013 interim report will be made available on the websites of the Company and Stock Exchange and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 28 November 2012

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Xuebin as executive chairman of the Board, Mr. Yang Dongwen as executive director and chief executive officer, Ms. Lin Wei Ping, Mr. Lu Rongchang, Mr. Leung Chi Ching, Frederick and Mr. Shi Chi as executive directors, and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Ms. Chan Wai Kay, Katherine as independent non-executive directors.

** For identification purpose only*