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SKYWORTH DIGITAL HOLDINGS LIMITED

(創維數碼控股有限公司*)

(incorporated in Bermuda with limited liability)

(Stock Code: 0751)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2009

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

Highlights of Results

The Group recorded the following results during the year ended 31 March 2009:

- Turnover from continuing operations reached HK\$15,329 million (87.8% from mainland China market), an increase of 12.5% from that of previous year.
- Sales of TV products and digital set-top boxes accounted for 90.0% and 8.5% of the Group's total turnover from continuing operations respectively.
- Gross profit from continuing operations achieved HK\$3,107 million, increased by 3.5%, and gross profit margin was 20.3%.
- Profits for the year after and before gain for the year from discontinued operation were HK\$503 million and HK\$460 million respectively.
- The Board has proposed a final cash dividend of HK7 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 39.7% for the whole year.

The board of directors (the "Board") of Skyworth Digital Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009 together with the comparative figures for the previous year in 2008.

CONSOLIDATED INCOME STATEMENT

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

	Notes	2009	2008
Continuing operations			
Turnover	2	15,329	13,629
Cost of sales		(12,222)	(10,627)
Gross profit		3,107	3,002
Other income		236	185
Exchange gains		79	191
Selling and distribution expenses		(2,178)	(1,925)
General and administrative expenses		(546)	(468)
Change in fair value of derivative financial instruments		29	(100)
Impairment loss recognised in respect of available-for-sale investments		(2)	(9)
Other impairment losses		(25)	(57)
Finance costs		(125)	(122)
Gain on disposal of partial interest in a subsidiary		-	60
Share of results of jointly controlled entities		9	18
Profit before taxation		584	775
Income taxes	4	(124)	(119)
Profit for the year from continuing operations		460	656
Discontinued operation			
Gain (loss) for the year from discontinued operation	5	43	(176)
Profit for the year	6	503	480
Attributable to:			
Equity holders of the Company		460	457
Minority interests		43	23
		503	480
Dividends			
Paid	7	126	39
Proposed	7	160	103
Earnings per share (expressed in HK cents)			
From continuing and discontinued operations			
Basic	8	20.15	19.95
Diluted	8	20.10	19.87
From continuing operations			
Basic	8	18.26	27.63
Diluted	8	18.22	27.53

CONSOLIDATED BALANCE SHEET

Amounts expressed in HK\$ million

	<i>Notes</i>	2009	2008
Non-current assets			
Property, plant and equipment		1,433	1,282
Prepaid lease payments on land use rights		234	227
Interests in jointly controlled entities		113	59
Interest in an associate		-	-
Other receivable		84	-
Available-for-sale investments		29	39
Prepayment		20	27
Deferred tax assets		31	7
		1,944	1,641
Current assets			
Inventories		1,267	1,913
Prepaid lease payments on land use rights		5	5
Trade and other receivables	9	1,759	1,808
Bills receivable	10	4,539	4,403
Amounts due from minority shareholders		1	12
Amounts due from jointly controlled entities		9	29
Pledged bank deposits		154	1,870
Bank balances and cash		1,385	1,389
		9,119	11,429
Current liabilities			
Trade and other payables	11	4,322	5,169
Bills payable	12	191	105
Obligation arising from put option written to minority interests		24	24
Derivative financial instruments		1	106
Provision for warranty and onerous contracts		36	102
Amounts due to jointly controlled entities		12	1
Tax liabilities		125	105
Secured bank borrowings		1,429	3,052
Deferred income		68	59
		6,208	8,723
Net current assets		2,911	2,706
Total assets less current liabilities		4,855	4,347

	Notes	2009	2008
Non-current liabilities			
Obligation arising from put option written to minority interests		154	134
Provision for warranty		31	33
Secured bank borrowings		-	83
Deferred income		201	102
Deferred tax liabilities		65	43
		<u>451</u>	<u>395</u>
NET ASSETS		<u>4,404</u>	<u>3,952</u>
Capital and Reserves			
Share capital		228	229
Share premium		1,188	1,196
Share option reserve		84	73
Investment revaluation reserve		3	13
Surplus account		38	38
Capital reserve		202	178
Exchange reserve		487	408
Accumulated profits		2,123	1,813
Equity attributable to equity holders of the Company		4,353	3,948
Minority interests		51	4
		<u>4,404</u>	<u>3,952</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

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 effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

2. 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 year. An analysis of the Group's turnover for the year is as follows:

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	2009	2008	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Sales of TV products	13,799	12,262	-	-	13,799	12,262
Sales of digital set-top boxes	1,309	1,121	-	-	1,309	1,121
Sales of mobile phones	-	-	58	310	58	310
Sales of other electronic products	155	197	-	-	155	197
Property rental income	66	49	-	-	66	49
	<u>15,329</u>	<u>13,629</u>	<u>58</u>	<u>310</u>	<u>15,387</u>	<u>13,939</u>

3. SEGMENT INFORMATION

Business segments

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

TV products	-	design, manufacture and sale of televisions
Digital set-top boxes	-	design, manufacture and sale of digital set-top boxes
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. The Group was also involved in the design, manufacture and sale of mobile phones. That operation was discontinued on 13 January 2009 (see note 5).

Segment information about these businesses is presented below.

	Continuing operations					Discontinued operation		
	TV products	Digital set-top boxes	Other electronic products	Property holding	Eliminations	Total	Mobile phones	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
For the year ended 31 March 2009								
Turnover								
External sales and rental income	13,799	1,309	155	66	-	15,329	58	15,387
Inter-segment sales and rental income	20	-	147	37	(204)	-	-	-
Total	13,819	1,309	302	103	(204)	15,329	58	15,387
Inter-segment sales and rental are charged at prevailing market rates.								
Results								
Segment results	514	192	29	24	-	759	-	759
Interest income						69	-	69
Unallocated corporate income less expenses						(128)	-	(128)
Finance costs						(125)	-	(125)
Gain on disposal of subsidiary						-	43	43
Share of results of jointly controlled entities						9	-	9
Profit before taxation						584	43	627
Income taxes						(124)	-	(124)
Profit for the year						460	43	503
As at 31 March 2009								
Assets								
Segment assets	7,425	1,042	144	643	-	9,254	-	9,254
Interests in jointly controlled entities								113
Unallocated corporate assets								1,696
Total consolidated assets								11,063
Liabilities								
Segment liabilities	4,195	542	60	32	-	4,829	-	4,829
Unallocated corporate liabilities								1,830
Total consolidated liabilities								6,659
Other information for the year ended 31 March 2009								
Capital expenditure on								
- Property, plant and equipment	298	9	8	-	-	315	-	315
- Prepaid lease payments for land	-	7	-	-	-	7	-	7
	298	16	8	-	-	322	-	322
Amortisation of prepaid lease payments on land use rights	4	-	-	1	-	5	-	5
Depreciation and amortisation of property, plant and equipment	120	6	15	40	-	181	-	181
Impairment loss recognised in respect of available-for-sale investments	-	-	2	-	-	2	-	2
Write-down (write-back) of inventories	18	1	(5)	-	-	14	(14)	-
Reversal of provision on onerous contracts-	-	-	-	-	-	-	(8)	(8)

Continuing operations						Discontinued operation	
TV products	Digital set-top boxes	Other electronic products	Property holding	Eliminations	Total	Mobile phones	Total
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million

For the year ended 31 March 2008

Turnover

External sales and rental income	12,262	1,121	197	49	-	13,629	310	13,939
Inter-segment sales and rental income	16	-	33	24	(74)	(1)	1	-
Total	<u>12,278</u>	<u>1,121</u>	<u>230</u>	<u>73</u>	<u>(74)</u>	<u>13,628</u>	<u>311</u>	<u>13,939</u>

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

Results

Segment results	<u>789</u>	<u>233</u>	<u>(71)</u>	<u>28</u>	<u>-</u>	<u>979</u>	<u>(174)</u>	<u>805</u>
Interest income						42	-	42
Unallocated corporate income less expenses						(142)	-	(142)
Finance costs						(122)	-	(122)
Share of results of jointly controlled entities						<u>18</u>	<u>-</u>	<u>18</u>
Profit before taxation						775	(174)	601
Income taxes						<u>(119)</u>	<u>(2)</u>	<u>(121)</u>
Profit for the year						<u>656</u>	<u>(176)</u>	<u>480</u>

As at 31 March 2008

Assets

Segment assets	7,919	844	166	665	-	9,594	112	9,706
Interests in jointly controlled entities								59
Unallocated corporate assets								<u>3,305</u>
Total consolidated assets								<u>13,070</u>

Liabilities

Segment liabilities	4,998	359	64	58	-	5,479	250	5,729
Unallocated corporate liabilities								<u>3,389</u>
Total consolidated liabilities								<u>9,118</u>

Other information for the year ended 31 March 2008

Capital expenditure on								
- Property, plant and equipment	193	7	19	-	-	219	-	219
- Prepaid lease payments for land	<u>107</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>121</u>	<u>-</u>	<u>121</u>
	300	7	33	-	-	340	-	340
Amortisation of prepaid lease payments on land use rights	4	-	-	-	-	4	-	4
Depreciation and amortisation of property, plant and equipment	115	5	11	26	-	157	2	159
Impairment loss recognised in respect of available-for-sale investments	6	-	3	-	-	9	-	9
Write-down (write-back) of inventories	(12)	(1)	36	-	-	23	44	67
Provision on onerous contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>52</u>

Geographical segments

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

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	2009	2008	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
PRC	13,463	12,196	33	164	13,496	12,360
Asia region (Other than PRC)	346	306	25	146	371	452
Europe	575	600	-	-	575	600
Other regions	945	527	-	-	945	527
	15,329	13,629	58	310	15,387	13,939

The following is an analysis of the Group's carrying amount of total assets, additions to property, plant and equipment and prepaid lease payments on land use rights, analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment, and prepaid lease payments on land use rights	
	2009	2008	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
PRC	8,878	9,104	315	310
Asia region (Other than PRC)	73	130	1	22
Europe	85	196	1	3
Other regions	218	276	5	5
Total segment assets	9,254	9,706	322	340
Interests in jointly controlled entities	113	59		
Unallocated corporate assets	1,696	3,305		
Total consolidated assets	11,063	13,070		

4. INCOME TAXES

Continuing operations		Discontinued operation		Consolidated	
2009	2008	2009	2008	2009	2008
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million

The income taxes charge comprises:

PRC income tax						
Current year	125	118	-	2	125	120
Under provision in prior years	7	1	-	-	7	1
	<u>132</u>	<u>119</u>	<u>-</u>	<u>2</u>	<u>132</u>	<u>121</u>
Deferred taxation						
Current year	(7)	(1)	-	-	(7)	(1)
Attributable to a change						
In tax rate	(1)	1	-	-	(1)	1
	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
	124	119	-	2	124	121

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

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

Pursuant to the PRC enterprise income tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% effective from 1 January 2008; and for those subsidiaries enjoying preferential tax rate of 15%, the new tax rate is increasing from 15% over 5 years to 25% as transitional provision. Deferred tax is recognised based on the tax rate 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 granted to them under the new tax law and implementation rules.

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

5. DISCONTINUED OPERATION

During the year, the Group discontinued the business in the design, manufacture and sale of mobile phones upon the disposal of 80% equity interest in 創維移動通信技術（深圳）有限公司. Accordingly, the business segments of the design, manufacture and sales of mobile phones are classified as discontinued operation for the year ended 31 March 2009.

The gain (loss) for the year from the discontinued operation is analysed as follows:

	2009 HK\$ million	2008 <i>HK\$ million</i>
Loss on discontinued operation for the year	-	(176)
Gain on disposal of discontinued operation	<u>43</u>	<u>-</u>
	<u>43</u>	<u>(176)</u>

The results of the discontinued operation for the period from 1 April 2008 to the effective date of disposal together with comparative figures, which have been included in the consolidated income statement, are as follows:

	2009 HK\$ million	2008 <i>HK\$ million</i>
Turnover	58	310
Cost of sales	<u>(60)</u>	<u>(328)</u>
Gross loss	(2)	(18)
Other income	9	4
Selling and distribution expenses	(14)	(44)
General and administrative expenses	(15)	(20)
Other impairment losses	14	(44)
Reversal of (provision on) onerous contracts	<u>8</u>	<u>(52)</u>
Loss before taxation	-	(174)
Income taxes	<u>-</u>	<u>(2)</u>
Loss for the year	<u>-</u>	<u>(176)</u>

During the year, the discontinued operation does not contribute significant cash flows to the Group.

The carrying amounts of the assets and liabilities of the companies comprising the discontinued operation at the date of disposal are disclosed in the annual report.

6. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Profit for the year has been arrived at after charging (crediting):						
Auditors' remunerations	8	7	-	-	8	7
Cost of inventories recognised as an expense	12,167	10,599	60	328	12,227	10,927
Depreciation and amortisation of property, plant and equipment	181	157	-	2	181	159
Exchange losses	16	68	-	-	16	68
Fair value adjustment upon initial recognition of trade receivable from sales on instalment basis	28	-	-	-	28	-
Fair value adjustment upon initial recognition of other receivable included in general and administrative expenses	29	-	-	-	29	-
Other impairment losses (Note):						
- Impairment losses on trade receivables	11	34	-	-	11	34
- Write-down (write-back) of inventories	14	23	(14)	44	-	67
	25	57	(14)	44	11	101
(Reversal of) provision for onerous contracts (Note)	-	-	(8)	52	(8)	52
Loss on disposal of property, plant and equipment	2	7	-	-	2	7
Operating lease rentals in respect of land and buildings	46	50	-	-	46	50
Release of prepaid lease payments on land use rights	5	4	-	-	5	4
Rental income from leasing of properties less related outgoings of HK\$55 million (2008: HK\$28 million)	(11)	(21)	-	-	(11)	(21)
Share of income taxes of jointly controlled entities	2	2	-	-	2	2
Staff costs:						
Directors' emoluments	27	32	-	-	27	32
Research and development related staff costs	70	61	5	9	75	70
Others	1,045	897	8	18	1,053	915

Note:

For the year ended 31 March 2008, the amounts mainly represented impairment losses on trade receivables and inventories of one of the other electronic product divisions and mobile phones operation as well as provision for non-cancellable purchase contracts for mobile phones business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

For the electronic product division, the management decided to cease the existing operation of this division in prior year. The management decided that the recoverability of its accounts receivable is doubtful and the net realisable value of the remaining inventories was insignificant, full impairment was made for all receivables and inventories of the division in 2008.

For the year ended 31 March 2009, the management reviews the net realisable value of the existing inventories and estimated selling prices of respective models of its mobile phones operation, and reassesses the provision for onerous contracts previously made; provision for inventories of HK\$14 million and provision for onerous contracts of HK\$8 million have been reversed in consolidated income statement during the year.

7. DIVIDENDS

	2009 HK\$ million	2008 HK\$ million
(a) Dividends paid during the year:		
Final dividend paid for the year ended		
31 March 2008: HK4.5 cents (2008: HK1.2 cents for 2007)		
per share (Note)	103	28
Interim dividend paid for the year ended		
31 March 2009: HK1.0 cent (2008: HK0.5 cent) per share	23	11
	126	39
(b) Dividends attributable to the year:		
Interim dividend declared and paid of HK1.0 cent		
(2008: HK0.5 cent) per share	23	11
Final dividend proposed after the balance sheet date		
of HK7 cents (2008: HK4.5 cents) per share	160	103
	183	114

The proposed final dividend of HK7 cents per share is declared on 8 July 2009. Such final dividend is satisfied by way of scrip dividend by an allotment of new shares of the Company to be credited as fully paid and that shareholders may elect to receive cash wholly or partly in lieu of the scrip dividend. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 March 2009.

Note: During the year, share dividends alternatives were offered in respect of the 2008 final dividends as follows:

	2009 HK\$ million	2008 HK\$ million
Dividends:		
Cash	102	28
Scrip dividends	1	-
	103	28

8. EARNINGS PER SHARE

For continuing and discontinued operations

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:

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	<u>460</u>	<u>457</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,283,395,524	2,291,056,144
Effect of dilutive potential ordinary shares in respect of - Share options outstanding	<u>5,498,066</u>	<u>8,487,129</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,288,893,590</u>	<u>2,299,543,273</u>

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.

For continuing operations

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

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Earnings:		
Profit for the year attributable to equity holders of the Company	460	457
Adjusted for:		
(Gain) loss for the year from discontinued operation	<u>(43)</u>	<u>176</u>
	<u>417</u>	<u>633</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is HK 1.89 cents per share (2008: loss of HK 7.68 cents per share) and diluted earnings per share for the discontinued operation is HK 1.88 cents per share (2008: loss of HK 7.66 cents per share), based on the profit for the year from the discontinued operation of HK\$43 million (2008: loss of HK\$176 million) and the denominators detailed above for both basic and diluted earnings per share.

9. TRADE AND OTHER RECEIVABLES

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

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

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

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Within 30 days	571	457
31 to 60 days	170	200
61 to 90 days	112	136
91 days to 365 days	446	401
Over 365 days	104	82
Trade receivables	1,403	1,276
Deposits, prepayments and other receivables	356	532
	1,759	1,808

10. BILLS RECEIVABLE

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

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Within 30 days	285	230
31 to 60 days	296	174
61 to 90 days	556	209
91 days or over	1,252	1,041
Bills endorsed to suppliers	993	1,932
Bills discounted with recourse	1,157	817
	4,539	4,403

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

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

11. TRADE AND OTHER PAYABLES

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

	2009 HK\$ million	2008 <i>HK\$ million</i>
Within 30 days	1,016	735
31 to 60 days	423	322
61 to 90 days	265	399
91 days or over	168	216
Trade payables under endorsed bills	991	1,926
Trade payables	2,863	3,598
Deposits in advance, accruals and other payables	1,459	1,571
	4,322	5,169

12. BILLS PAYABLE

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

	2009 HK\$ million	2008 <i>HK\$ million</i>
Within 30 days	64	24
31 to 60 days	18	26
61 to 90 days	45	-
91 days or over	64	55
	191	105

13. PLEDGE OF ASSETS

At 31 March 2009, the Group's bank borrowings were secured by the followings:

- (a) charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK\$61 million (2008: HK\$61 million) and HK\$22 million (2008: HK\$23 million) respectively;
- (b) bills receivable of nil (2008: HK\$229 million); and
- (c) bank deposits of HK\$154 million (2008: HK\$1,870 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK\$993 million (2008: HK\$1,932 million) and HK\$1,157 million (2008: HK\$817 million) respectively as disclosed in note 10.

BUSINESS PERFORMANCE REVIEW

(1) Steady growth in turnover

For the year ended 31 March 2009, overall turnover reached a record of HK\$15,329 million from continuing operations. Comparing to the prior year results of HK\$13,629 million, the Group achieved a double-digit growth of HK\$1,700 million or 12.5%.

A portion of the steady growth was a result of the momentum driven by the China government's expansion of vast subsidy campaigns and monetary policies to counteract adverse impacts from potential severe global economic downturns. The government actions imposed a substantial turnaround effect on the Group's originally slipping overall television ("TV") sales volume immediately after the global financial crisis, attaining an increase of 9.0% from prior year's sales volume, and successfully surpassing the overall annual target by a projection of 1.7% than previously forecasted. The China TV sales volume reduced 2.6% as compared to the previous year, which was 3.7% less than the annual target of 6.5 million units. Sustaining from earlier this year, the overseas TV sales volume achieved a substantial growth of 46%, exceeding its annual target of 2.5 million units by 15.7%.

(2) Turnover analysis by geographical segment and product segment

(a) Mainland China market

Turnover contributed from mainland China market for the year increased 10.3% from the previous year to HK\$13,397 million, which represented 87.4% of total sales.

Mainland China is the core driving force behind the Group's growth. As the key players of this segment, China TV and digital set-top boxes business units accounted for 92.1% and 6.7% shares of total geographical turnover respectively. The remaining 1.2% consisted of non-core business units including liquid crystal display ("LCD") modules, electrical appliances, moulds and audio-visual businesses.

TV products

Turnover of the Group's China TV sales for the year was HK\$12,345 million, an increase of HK\$1,091 million, or 9.7% from previous year.

With rapid contraction in demands of cathode ray tubes ("CRT") TVs, new demands and replacements for LCD TVs shifting towards inland cities and towns improved product mix and set a clear path for the LCD TVs as mainstream products in the TV market. The continuous strong growth in LCD TV sales volume improved the China TV business unit's overall capability in generating higher turnover than previous year as LCD TVs had a higher blended average selling price than CRT TVs. The LCD TVs turnover raised HK\$2,800 million, or 48.0% as compared with prior year. In the long run, the evolution in digital broadcasting placed nice footing for active high-end TV product development to endure technological advancements, reducing cost of manufacturing and operations.

Before and during the 2008 Beijing Olympics in early this year, the Group invested campaigns to upgrades of brand value and build up corporate image. Large scales of promotional efforts stimulated remarkable sales revenue, seizing market share and gaining significant shares of domestic sales. Compared to the previous year, flat-panel TVs recorded an increase of 115.3% in sales volume at a slightly lower average gross profit margin of 22.8%. High-end TV products recorded a remarkable growth of 28.5% to 3.5 million units, 37.9% of the total sales volume of TV products in the mainland China.

Based on All View Consulting Co., Ltd. ("AVC")'s China TV market survey covering 312 major cities and

3,308 retail terminals in mainland China, Skyworth reached number 1 position in terms of 12 months ended 31 March 2009 cumulative TV sales revenue and sales volume amidst fierce domestic and foreign brands competition, with market share of 12.5% and 15.7%, respectively. AVC is a subsidiary of China Video Industry Association, specializing in Chinese appliance market research. The Group's crucial strategy in the high-end TV market positioning continued to be one of the key success factors to its glory in turnover and market share.

Under the "Home Appliances to the Countryside" policy, the Chinese government subsidised rural households to purchase designated home appliances to stimulate local consumption, alleviating the recent headwind of worldwide financial crisis on local economy. In the preliminary stage, 15 models of Skyworth TV products were qualified from the tendering process, in which direct benefited to effectively stimulate sales of flat-panel TVs. With possible expansion of the current limited scope, the four-year nationwide policy enables the Group to fully exploit its well established distribution and after sales service networks in the rural areas, which is a positive stimuli to the Group's mainland China TV sales volume and revenue.

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

- allocating best resources to pioneer icon products, and ensuring products were well received by the market including the Group's most popular TV product, the second generation of CooCaa Multimedia TVs (the first "network content" TV available in the market);
- the accreditation of industrial awards, and overall consumer recognitions stimulating growth in sales revenue and upgrade in brand value;
- fully demonstrating abundant in entrepreneurial vitality through being one of the official sponsors of worldwide events such as the 2008 Beijing Olympics and other upcoming activities;
- strategic improvements on product pricing, product life cycle management, and distribution networking policies through vertical integration to facilitate effective chain support and cost controls, improving competitiveness; and,
- deriving mutual benefits from maintaining strategic partnerships and pursuing business growth in collaboration to achieve overall improvement within same industry.

Digital set-top boxes

Turnover of the Group's China digital set-top boxes for the year was HK\$901 million, a substantial increase of HK\$199 million, or 28.3% from the previous year.

As the digital TV market in mainland China expanding, **Skyworth** branded digital set-top boxes sets increased in popularity and earned an excellent market reputation, setting a glory footprint for rapid access to new markets. With material impacts from technological improvements and Renminbi appreciation, the Group set certain profit margin on basis of the falling raw material prices, and composited a competitive set of product pricing strategies in the new market. In addition, the business unit launched high-definition set-top box products to seize the domestic shares and met market needs during the 2008 Beijing Olympics, generating a substantial growth in sales.

LCD Module

Mature LCD technology and the rising popularity of LCD products created large-scale effects to lower overheads, providing a span for product pricing structure and profitability. The LCD module business unit repositioned and streamlined operations to facilitate prime resources management in further uplifting its

flexibility, in harmony with its aim to strengthen its strategic relationships with leading global players as their OEM provider for LCD modules, as well to initiate the development of flat panel LCD module market. The transition caused a reduction on segmental turnover for the year by HK\$106 million or 10.3% comparing with the previous year.

Mobile phones

During the year, the Group completed targeted disposition of 80% equity interest in mobile business as disclosed in previous year's annual report. Details of disposition and related segmental result as a discontinued operation are set out in notes 41 and 13 to the consolidated financial statements, respectively, in the annual report.

(b) Overseas markets

Turnover contributed from the overseas markets amounted to HK\$1,865 million, equivalent to 12.2% of the total turnover for the year.

TV products

Despite the financial turmoil during the fourth quarter, the overseas TV business unit turnover was justified by the sharp increase of such during the first three quarters. Turnover of the Group's overseas TV sales for the year was HK\$1,454 million, accounting for 78.0% of overseas turnover.

Amidst deteriorating global economy led to order rescheduling, shifting demands towards higher-in-value LCD TVs entailed a product mix reform. The previous restructure in overseas TV business unit enhanced positioning in the rapid changing environment, and recognition from long-term relationships with international major TV brand names for first-rated OEM and ODM service under such evident transformation. During the year, the business unit entered a period of steady growth with increasing orders, causing an increase of 44.1% in turnover but a slight reduced gross profit margin by 0.5 percentage points comparing to previous year.

Digital set-top boxes

Turnover of the Group's overseas set-top boxes for the year was HK\$408 million, accounted for 21.9% of overseas turnover. Overseas market development remained challenging mainly due to a slight slowdown of sales in Europe. Patents and environmental issues especially in Europe continued the tensions on manufacturing costs and dampened competitiveness. Despite of the challenges, the Group's set-top boxes received better recognitions from corporate clients as many maintained continuity in procurements, which laid a fundamental guarantee to achieve sustained growth. Consequently, the segmental turnover decreased by 2.4%, while gross profit margin rose by 2.3 percentage points.

Geographical distribution

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

	For the year ended 31 March 2009	For the year ended 31 March 2008
	(%)	(%)
Asia (including Japan, Korea, Vietnam, etc.)	19	21
Europe	30	42
America	38	27
Middle East	8	4
Australia and New Zealand	1	1
Africa	4	5
	100	100

The global economic contraction caused major overseas customers to reposition market strategy during the second half of the year, shifting the export focus to the American market sector. Asia, Europe and America remained as the Group's major overseas markets during the year, contributing to 87% of the total turnover from overseas. The turnover from markets including Africa, Middle East, Australia and New Zealand increased 3% from the previous year.

(3) Gross margin

The overall gross margin for the year was 20.3%, representing a slight decline of 1.7 percentage points from that of the previous year.

(a) China market

Although the Group recorded a continuous breakthrough in TV sales, it confronted tough competitions in retail pricing accorded to market appetite in reliance with rapid and drastic changes in LCD technologies. The Group executed vertical integration and strategic partnerships to lay a solid foundation, strengthening the production capacity and developing a viable cost structure to elevate the Group's competitiveness to become the first in the market sector.

During the year, the Group exploited diversified incentive programs to expand mainstream and emerging distribution channels, as well technological upgrading to accelerate product launching to meet gradual broaden consumption appetites in order to gain a stable growth in turnover. Although the Group aimed on building up of industrial chain integration, along with other measures to control costs effectively to give span for gross margin, the selling price slipped, mainly due to strategic pricing policy, at a greater degree than the dropping product costs, the gross margin of the high-end TV products in the mainland China for the year slipped by an average of 1.4 percentage points.

The gross profit margin of set-top boxes in the mainland China edged up by 3.3 percentage points to 34.7%. The management precisely defined its strategy and direction in the market to concentrate resources on developing and launching profitable product with best efforts to avoid incurring extra costs. Maintaining good product quality and refined productivity gave rise to the profitability.

(b) Overseas markets

In the period of deteriorating market condition, the Group determined to concentrate on consistent market positioning strategy with consideration of maintaining business profits. Related courses of action made developments in turnover on leaps and bounds, reducing the impacts from unfavorable factors. During the year, the gross profit margin of overseas TV products by 0.6%; whereas the gross profit margin of overseas digital set-top boxes raised by 2.3%.

The Group is in the process of repositioning the overseas TV business unit to enable its sharing of resources with the China TV business unit in order to increase its overall efficiency.

(4) Selling and distribution expenses

The overall selling and distribution expenses (“S&D expenses”) for the year was HK\$2,178 million, up 13.2% from HK\$1,925 million in the previous year. With comparison to turnover, the related ratio only rose slightly by 0.1 percentage points. The S&D expenses comprised mainly brand promotion and marketing expenses, salaries of the sales and marketing personnel, and transportation expenses.

The overall expenditure for brand promotion and marketing activities was HK\$825 million, up 28.7%, which relatively justified by the increase of 10.3% in turnover. During the year, the Group launched target-oriented marketing campaigns to build up its brand image including three “ten-million” projects and “2008 Beijing Olympics Store Image Transformation” project in mainland China. Extra recruitment of promotional manpower, increased sales-performance pays and increased expenses in exhibition and image shops were rewarded by the remarkable annual growth of the Group’s turnover.

The Group’s commitment on product quality management reduced overall product warranty allowance and maintenance costs, enhancing stakeholders’ welfare as well as brand’s reputation in product reliability in the long run. Despite the gradually increasing staff costs partly due to the implementation of the new labour law in mainland China, the increase of 0.2 percentage points in S&D expenses to turnover ratio was relatively gentle, demonstrating the management’s use of effective means to constrain such ratio.

(5) General and administration expenses

The general and administration (“G&A”) expenses increased HK\$78 million, or 16.7%, to HK\$546 million. The G&A expenses to turnover ratio was a gentle increase from the previous year, from 3.4% to 3.6%.

Substantial increase in employee related costs were in association with the Group’s effective remuneration packages to attract and retain the best human capital, as well as the Chinese government’s new labour law implementation during the year. Other main factors contributing to the increase in G&A expenditure during the year were increasing research and development costs as well as costs to establish a series of action plans including:

- improvements on system efficiency with better production planning, resource coordination and execution;
- further safeguards of Group assets and raise risk awareness in the worsening business environment, ensuring sustainable business development in a healthy corporate atmosphere to create harmonious social relations; and,
- establishment of a production design platform to enhance innovations on product functional modules, interfaces, and operating system in accords with industrial technologies.

The management adopted well spending practice to ensure the G&A expenses were for the benefits of the Group. The management regularly reviewed and updated controls and procedures to ensure cost objectives are achieved.

(6) Inventory control

The net carrying value of inventories was down 33.8%, or HK\$646 million, to HK\$1,267 million as at the end of year.

Emphasis on effective inventory, logistics and supply-chain management to manage the risks of slow-moving and obsolete inventories is critical to success in the current environment with fast changing market appetite and unstable global economy. Such success in controls shielded resources for existing operations as well as for future opportunities within the Group's areas of expertise.

- **Shifting product mix** – as a result of market shifting from traditional CRT TVs to flat-panel TVs led to changes in production and storage structures. Rapid changes in flat-panel TV technology, causing price fluctuations manufacturing component, imposed a direct impact on inventory value.
- **Hastening sales from Beijing Olympics and government policies** – the 2008 Beijing Olympics enlightened the effects from advertising and promotion campaigns for high-end flat-panel TVs. Later on the year, China government intervention to robust local economy caused fast turnaround inventory to launch products quickly to meet surging market demands.
- **Effective logistics reform** – unified scattered warehouses in the mainland China with 40 regional distribution warehouses through outsourced logistics provider. This strategy collectively controls product supplies according to sales performance, effectively monitor resources and speed up product flow, greatly enhancing turnover of inventory to ensure smooth production and prevent risk of overstocking.
- **Inventory status as a factor of Key Performance Indicators (“KPI”)** – assess performance of business unit management by factors including inventory turnover days, raw material shortage ratio, and inventory provision to align the interests between each business unit and the Group as a whole.

As at 31 March 2009, the overall inventory turnover days was 47 days compared with 60 days from the previous year. The inventory turnover days for raw materials and finished goods were 14 days and 29 days respectively; while the turnover days were 17 days and 37 days respectively in the previous year.

(7) Trade receivables and bills receivable

The Group had a total of HK\$5,942 million trade receivables and bills receivable at the end of the year. Comparing to the previous year, trade receivables amounted HK\$1,403 million, up by HK\$127 million or 10.0%, whilst bills receivable amounted HK\$4,539 million, up by HK\$136 million or 3.1%. The main components of these receivables were TV products and set-top boxes, which accounted for 84.5% and 15.1% respectively.

TV business unit's rising trade and bills receivables was coherent with its increase in sales turnover, due to growth within the flat panel TVs market and relative higher unit price of flat panel TV products than traditional CRT TVs during the year. Comparing with the 12.5% rise in TV turnover, the mild increase of 1.2% in receivables reflected the Group's proven track record in good credit management.

The primary set-top box customers are cable operators under national, provincial and municipal broadcasters. Both long repayment terms for this special group of customers and larger scale of sales volume with 16.9%

increase during the year accounted for reasonable growth ratio in trade and bills receivables.

(8) Trade payables and bills payable

The Group had a total of HK\$3,054 million in trade payables and bills payable, down by HK\$649 million or 17.5%. Increasing penetration of the set-top box products necessitated large quantity procurements, driving up the payable balances. As TV product structure continuously concentrated towards flat-panel TV products and the cost of flat panel TV components fell significantly during the year, the dropping costs over-ridden factors giving rise to payables, and led to relatively lower payable balances.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net current assets for the year rose HK\$205 million to HK\$2,911 million, with total cash and bank balance of HK\$1,385 million, comparing to HK\$1,389 million from the previous year. The Group's pledged bank deposits for the year amounted to HK\$154 million, comparing to HK\$1,870 million from the previous year.

Fastening its pace to the dynamic changes in global market and government policies, the Group implemented effective management strategies in logistics and production capacity. These insights enhanced the Group's net cash inflow of operating activities amounted to HK\$805 million for the year.

The Group maintained adequate levels of operating cash flows to endure business operation through internally generated funds and facilitated trade facilities obtained from banks and certain suppliers. The balances of the discounted bills with recourse went up from HK\$817 million to HK\$1,157 million. Such discounted bills receivable with recourse would be released upon maturity. Certain trade facilities and loans granted from various banks were secured by certain assets of the Group, including bank deposits of HK\$154 million and certain of the Group's land and properties in the PRC and Hong Kong with net book value of HK\$83 million.

The Group remained financial sounded with strong liquidity during the year. The gearing ratio of the Group for the year was 3.4%, calculated with reference to the total bank borrowings of HK\$147 million and shareholders' fund of HK\$4,353 million. Such bank borrowings excluded discounted bills with recourse and secured bank debts for foreign exchange arrangements amounted to HK\$1,157 million and HK\$125 million respectively. The ratio including the amounts of financial liabilities arising from bills discounted with recourse and foreign exchange arrangements would be 32.8%.

As most of previous financial arrangements matured during the year, the amount of pledged bank deposits was significantly reduced. Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY AND CASH FLOW MANAGEMENT

The Group had recognised HK\$79 million in net foreign exchange gains during the year. Renminbi had been the main currency denomination for most of the Group's investments in the mainland China. Other currency denominations for the Group's assets and liabilities included Hong Kong dollars and US dollars.

As market anticipated gradual increase in Renminbi value, the Group maximised its foreign exchange gain in borrow in US dollars at predetermined forward rates and secured by amount equivalent in Renminbi in forms of fixed deposit arrangements. At the end of the year, most of such matured at HK\$43 million gains to the Group. For details of arrangements, please refer to note 32 to the consolidated financial statements. In the long run, the Group monitors closely the foreign currency movement and interest rate movement to evaluate the needs of hedging activities as appropriated.

SIGNIFICANT INVESTMENTS AND ACQUISITION

Logistics efficiency rules delivery cost and time. Such positive influence striving improvements in inventory turnover and product profit margins gives tributes to open the threshold of a breakthrough on production capacity, giving rises in core competitiveness and reputation in the market. With aims to improve logistic efficiency and production capacity, the Group had invested HK\$186 million in construction projects during the year, including the ongoing construction of Chengdu, Jiangxi and Nanjing logistic centers, and the Guangzhou and Shenzhen production plants situated in mainland China. To align with the Group's strategic vertical integration, HK\$41 million was invested in jointly controlled businesses to perform professional upgrades on LCD module technologies and to ensure steady supplies in manufacturing components. In the coming years, HK\$254 million would be allocated in the construction and machinery purchases of these plants and logistic centers.

In line with the steady development of business, the Group had also spent approximately HK\$129 million on the Beijing and Chongqing office setup, Shenzhen office building renovation, as well as other plant and equipment acquisitions for business operations and expansion.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no material contingent liabilities. The details of certain patent disputes are disclosed in the note to the consolidated financial statements in the annual report.

HUMAN RESOURCES CAPITAL

As at the end of the year, the Group recruited over 21,000 employees including sales personnel throughout 40 branch offices and 169 sales offices to maintain an extensive and concrete human resources capital to balance the Group expansion.

Remuneration policy is under regular reviews, and is determined in accordance with relevant policies, market practices, competence and performance. 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 during the year are disclosed in the Corporate Governance Report section in the annual report.

TARGET SALES VOLUME OF TV

The Group strives for an annual target TV sales volume of 6.2 million units and 2 million units in the mainland China and overseas markets, respectively, for the financial year ending 31 March 2010. Under the expanding "Home Appliances to the Countryside" policy and the upcoming "Swapping Old to New" pilot program in the mainland China, rapid LCD TV penetration in the third and fourth tier cities eventually creates enormous opportunities and becomes the key driven the turnover in the mainland China.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 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 year ended 31 March 2009 and up to the date of this report, the Company has complied with the code provisions in the Code, except for one major deviation described below.

Code provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer of an issuer should be separate and should not be performed by the same individual.

At present Mr. Zhang Xuebin (“Mr. Zhang”) acts as both the Executive Chairman and the Chief Executive Officer of the Company. Mr. Zhang is not only responsible for overseeing the business operations of the Group and implementing the business strategies and policies as determined by the Board from time to time, he is also responsible for the management of the Board, and the formulation of corporate strategy and future direction of the Group.

After evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. Zhang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Zhang to hold both positions as the Executive Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Group. Further, the Board considers that such change would not impair the balance of power and authority within the Board.

AUDIT COMMITTEE

The audit committee was established by the Board since the initial listing of the Company’s shares on Stock Exchange on 6 April 2000 (the “Audit Committee”). The Audit Committee comprises three INEDs. The Chairman of the Audit Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin and Mr. Xie Zhengcai.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised to comply with the Code. The terms of reference of the Audit Committee are available on the Company’s website through the link: www.skyworth.com/investor.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 March 2009.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2009 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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 year.

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

As at 31 March 2009, the Company purchased a total of 11,472,000 of its listed shares on the Stock Exchange at an aggregate consideration of HK\$9,736,020. Details of the repurchases are summarised as follows:

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

All of the shares repurchased were cancelled during the year ended 31 March 2009 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 year.

FINAL DIVIDEND

The Board has proposed a final dividend for the year ended 31 March 2009 of HK7 cents per ordinary share (2008: HK4.5 cents), totaling approximately HK\$160 million (2008: HK\$102 million) to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 14 September 2009. Shareholders may elect to receive final 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 Tuesday, 8 September 2009 to Monday, 14 September 2009, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend payable on or around 15 October 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 Monday, 7 September 2009.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information required by paragraph 45 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

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

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

Hong Kong, 8 July 2009

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

** for identification purposes only*