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 2010

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 2010:

- Turnover from continuing operations reached HK$22,769 million (91.2% from the PRC market), an increase of 48.5% from that of previous year.
- Sales of TV products and digital set-top boxes accounted for 90.2% and 8.3% of the Group's total turnover from continuing operations respectively.
- Gross profit from continuing operations achieved HK$4,873 million, increased by 57.5%, and gross profit margin was 21.4%, increased by 1.2 percentage points.
- Profit for the year from continuing operations were HK$1,326 million, an increase of 188.3%.
- The Board has proposed a final dividend of HK8.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 30.6% (31.9% based on the issued share capital at 30 June 2010) 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 (collectively referred to as the "Group") for the year ended 31 March 2010 together with the comparative figures for the previous year in 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

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

	NOTES	**2010**	2009
Continuing operations			
Turnover	2	**22,769**	15,329
Cost of sales		**(17,896)**	(12,236)
Gross profit		**4,873**	3,093
Other income		**402**	236
Other gains and losses	4	**33**	104
Selling and distribution expenses		**(2,968)**	(2,178)
General and administrative expenses		**(680)**	(555)
Finance costs		**(122)**	(125)
Share of results of jointly controlled entities		**14**	9
Profit before taxation		**1,552**	584
Income taxes	5	**(226)**	(124)
Profit for the year from continuing operations		**1,326**	460
Discontinued operation			
Gain for the year from discontinued operation	6	**-**	43
Profit for the year	7	**1,326**	503
Other comprehensive income			
Exchange differences arising on translation to Group's presentation currency		**26**	94
Surplus (deficit) on revaluation of available-for-sale investments		**3**	(10)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments		**(2)**	-
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(2)**	(6)
Reserves released upon disposal of subsidiary		**-**	(7)
Other comprehensive income for the year		**25**	71
Total comprehensive income for the year		**1,351**	574
Profit for the year attributable to:			
Owners of the Company		**1,251**	460
Non-controlling interests		**75**	43
		1,326	503
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,276**	529
Non-controlling interests		**75**	45
		1,351	574

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010

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

	NOTE	**2010**	2009
Earnings per share (expressed in HK cents)			
From continuing and discontinued operations			
Basic	9	**52.32**	20.15
Diluted	9	**49.46**	20.10
From continuing operations			
Basic	9	**52.32**	18.26
Diluted	9	**49.46**	18.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2010

Amounts expressed in HK$ million

	NOTES	**2010**	2009
Non-current assets			
Property, plant and equipment		**1,399**	1,433
Investment properties		**125**	-
Prepaid lease payments on land use rights		**230**	234
Interests in jointly controlled entities		**156**	113
Interest in an associate		**-**	-
Other receivable		**90**	84
Available-for-sale investments		**43**	29
Prepayment		**12**	20
Deferred tax assets		**35**	31
		2,090	1,944
Current assets			
Inventories		**3,298**	1,267
Prepaid lease payments on land use rights		**5**	5
Trade and other receivables	10	**2,276**	1,759
Bills receivable	11	**6,938**	4,539
Derivative financial instruments		**4**	-
Amounts due from minority shareholders of subsidiaries		**-**	1
Amounts due from jointly controlled entities		**13**	9
Held for trading investments		**13**	-
Pledged bank deposits		**2,394**	154
Bank balances and cash		**2,191**	1,385
		17,132	9,119
Current liabilities			
Trade and other payables	12	**5,189**	4,322
Bills payable	13	**586**	191
Obligation arising from put options written to non-controlling interests		**84**	178
Derivative financial instruments		**11**	1
Provision for warranty		**40**	36
Amounts due to jointly controlled entities		**1**	12
Amounts due to minority shareholders of subsidiaries		**14**	-
Tax liabilities		**178**	125
Secured bank borrowings		**6,721**	1,429
Deferred income		**40**	68
		12,864	6,362
Net current assets		**4,268**	2,757
Total assets less current liabilities		**6,358**	4,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED
AT 31 MARCH 2010

Amounts expressed in HK$ million

	2010	2009
Non-current liabilities		
Obligation arising from put options written to non-controlling interests	**159**	-
Provision for warranty	**32**	31
Deferred income	**215**	201
Deferred tax liabilities	**98**	65
	504	297
NET ASSETS	**5,854**	4,404
Capital and reserves		
Share capital	**253**	228
Share premium	**1,665**	1,188
Share option reserve	**91**	84
Investment revaluation reserve	**4**	3
Surplus account	**38**	38
Capital reserve	**277**	202
Exchange reserve	**511**	487
Accumulated profits	**2,934**	2,123
Equity attributable to owners of the Company	**5,773**	4,353
Non-controlling interests	**81**	51
	5,854	4,404

NOTES:

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programme
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.

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

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

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	
	2010 **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million
Sales of TV products	**20,539**	13,799	-	-	**20,539**	13,799
Sales of digital set-top boxes	**1,895**	1,309	-	-	**1,895**	1,309
Sales of LCD modules	**189**	106	-	-	**189**	106
Sales of mobile phones	-	-	-	58	-	58
Sales of other electronic products	**79**	49	-	-	**79**	49
Property rental income	**67**	66	-	-	**67**	66
	22,769	15,329	-	58	**22,769**	15,387

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION - continued

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

1.	TV products (PRC market)	– design, manufacture and sale of televisions in the PRC
2.	TV products (overseas market)	– design, manufacture and sale of televisions in overseas market
3.	Digital set-top boxes	– design, manufacture and sale of digital set-top boxes
4.	LCD modules	– design, manufacture and sale of LCD modules
5.	Other electronic products	– design, manufacture and sale of other products mainly relate to electronics
6.	Property holding	– leasing of property

The Group was also involved in the design, manufacture and sale of mobile phones. That operation was discontinued on 13 January 2009 (see note 6).

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

Segment information about these businesses is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 March 2010

Continuing operations

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover								
External sales and rental income	19,181	1,358	1,895	189	79	67	-	22,769
Inter-segment sales and rental income	96	-	-	338	63	57	(554)	-
Total	19,277	1,358	1,895	527	142	124	(554)	22,769
Results								
Segment results	1,229	-	272	61	10	36	-	1,608
Interest income								76
Unallocated corporate expenses less income								(24)
Finance costs								(122)
Share of results of jointly controlled entities								14
Profit before taxation (continuing operations)								1,552

3. SEGMENT INFORMATION - continued

Segment revenues and results - continued

For the year ended 31 March 2009

Continuing operations

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover								
External sales and rental income	12,282	1,517	1,309	106	49	66	-	15,329
Inter-segment sales and rental income	12	8	-	87	60	37	(204)	-
Total	12,294	1,525	1,309	193	109	103	(204)	15,329
Results								
Segment results	514	(28)	191	31	(2)	24	-	730
Interest income								69
Unallocated corporate expenses less income								(99)
Finance costs								(125)
Share of results of jointly controlled entities								9
Profit before taxation (continuing operations)								584

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by (loss from) each segment without allocation of corporate income less expenses, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 March 2010

	TV products (PRC market)	**TV products (Overseas market)**	**Digital set-top boxes**	**LCD modules**	**Other electronic products**	**Property holding**	**Eliminations**	**Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**
Assets								
Segment assets	**10,984**	**667**	**1,565**	**101**	**130**	**633**	**-**	**14,080**
Interests in joint controlled entities								**156**
Unallocated corporate assets								**4,986**
Total consolidated assets								**19,222**
Liabilities								
Segment liabilities	**4,340**	**491**	**1,065**	**105**	**53**	**12**	**-**	**6,066**
Unallocated corporate liabilities								**7,302**
Total consolidated liabilities								**13,368**

3. SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

As at 31 March 2009

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Assets								
Segment assets (continuing operations)	6,768	370	1,043	20	120	643	-	8,964
Interests in joint controlled entities								113
Unallocated corporate assets								1,986
Total consolidated assets								11,063
Liabilities								
Segment liabilities (continuing operations)	3,773	422	542	27	34	33	-	4,831
Unallocated corporate liabilities								1,828
Total consolidated liabilities								6,659

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in jointly controlled entities, interest in an associate, available-for-sale investments, deferred tax assets, derivative financial instruments, amounts due from minority shareholders of subsidiaries, held for trading investments, pledged bank deposits, bank balances and cash, and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than obligation arising from put options written to non-controlling interests, derivative financial instruments, amounts due to jointly controlled entities, amounts due to minority shareholders of subsidiaries, tax liabilities, secured bank borrowings, deferred income, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2010
Continuing operations

	TV products (PRC market)	**TV products (Overseas market)**	**Digital set-top boxes**	**LCD modules**	**Other electronic products**	**Property holding**	**Eliminations**	**Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**
Amortisation of prepaid lease payments on land use rights	**3**	**-**	**1**	**-**	**-**	**2**	**-**	**6**
Capital expenditure on								
- Property, plant and equipment	**237**	**13**	**30**	**23**	**7**	**29**	**-**	**339**
- Prepaid lease payments for land	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation of								
- Property, plant and equipment	**129**	**23**	**10**	**5**	**17**	**34**	**-**	**218**
- Investment properties	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Write-down (write-back) of inventories	**6**	**(22)**	**10**	**3**	**(1)**	**-**	**-**	**(4)**

3. SEGMENT INFORMATION - continued

Other segment information - continued

For the year ended 31 March 2009
Continuing operations

	TV products (PRC market)	TV products (Overseas market)	Digital set-top boxes	LCD modules	Other electronic products	Property holding	Eliminations	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Amortisation of prepaid lease payments on land use rights	4	-	-	-	-	1	-	5
Capital expenditure on								
- Property, plant and equipment	266	9	9	3	5	23	-	315
- Prepaid lease payments for land	-	-	7	-	-	-	-	7
Depreciation of								
- Property, plant and equipment	88	41	7	3	11	31	-	181
- Investment properties	-	-	-	-	-	-	-	-
Write-down (write-back) of inventories	17	-	1	3	(7)	-	-	14

Geographical information

The Group's operations are located in the PRC, Asia region (other than the PRC), Europe and other regions.

For segments other than property holding, the Group's geographical analysis of revenue from continuing operations from external customers is determined based on the location of customers. For the property holding segment, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by geographical location of the assets are also detailed below.

	Revenue from external customers		Non-current assets (Note)	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**20,761**	13,463	**1,740**	1,645
Asia region (other than PRC)	**416**	346	**3**	4
Europe	**734**	575	**4**	4
Other regions	**858**	945	**7**	14
	22,769	15,329	**1,754**	1,667

Note: Non-current assets excluded interests in jointly controlled entities, interest in an associate, other receivable, available-for-sale investments and deferred tax assets.

4. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Consolidated	
	2010 **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million
Other gains and losses comprises:						
Cumulative gain reclassifed from equity on disposal of investments classified as available-for-sale	**2**	-	**-**	-	**2**	-
Exchange gains	**29**	79	**-**	-	**29**	79
Gain (loss) on disposal of property, plant and equipment	**4**	(2)	**-**	-	**4**	(2)
Impairment loss recognised in respect of available-for-sale investments	**-**	(2)	**-**	-	**-**	(2)
Loss from change in fair value of financial assets classified as held for trading	**(1)**	-	**-**	-	**(1)**	-
(Loss) gain from change in fair value of derivative financial instruments	**(1)**	29	**-**	-	**(1)**	29
Reversal of provision on onerous contracts	**-**	-	**-**	8	**-**	8
	33	104	**-**	8	**33**	112

5. INCOME TAXES

	Continuing operations		Discontinued operation		Consolidated	
	2010 **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million
The income taxes charge comprises:						
Hong Kong Profits Tax						
Underprovision in prior years	**3**	-	**-**	-	**3**	-
PRC income tax						
Current year	**196**	125	**-**	-	**196**	125
Underprovision in prior years	**-**	7	**-**	-	**-**	7
	196	132	**-**	-	**196**	132
	199	132	**-**	-	**199**	132
Deferred taxation						
Current year	**27**	(7)	**-**	-	**27**	(7)
Attributable to a change in tax rate	**-**	(1)	**-**	-	**-**	(1)
	27	(8)	**-**	-	**27**	(8)
	226	124	**-**	-	**226**	124

5. INCOME TAXES - continued

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% of the estimated assessable profit for both years.

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 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 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, such as “2+3 tax holiday” (two years' exemption followed by three years of half deduction) granted to them under the tax law and implementation rules.

6. DISCONTINUED OPERATION

In prior 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 (“Mobile (SZ)”). Accordingly, the segment of the design, manufacture and sales of mobile phones was classified as discontinued operation during the year ended 31 March 2009.

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

	2010	2009
	HK$ million	HK$ million
Profit from discontinued operation for the year	**-**	-
Gain on disposal of discontinued operation	**-**	43
	-	43

6. DISCONTINUED OPERATION - continued

The results of the discontinued operation for the period from 1 April 2008 to the effective date of disposal, i.e. 13 January 2009, which had been included in the consolidated statement of comprehensive income for the year ended 31 March 2009, are as follows:

	2010	2009
	HK$ million	HK$ million
Turnover	**-**	58
Cost of sales	**-**	(46)
Gross profit	**-**	12
Other income	**-**	9
Other gains and losses	**-**	8
Selling and distribution expenses	**-**	(14)
General and administrative expenses	**-**	(15)
Profit before taxation	**-**	-
Income taxes	**-**	-
Profit for the year	**-**	-

The discontinued operation did not contribute significant cash flows to the Group for both years.

7. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	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	**7**	8	**-**	-	**7**	8
Cost of inventories recognised as an expense	**17,846**	12,167	**-**	60	**17,846**	12,227
Depreciation of						
- property, plant and equipment	**218**	181	**-**	-	**218**	181
- investment properties	**2**	-	**-**	-	**2**	-
Exchange losses	**12**	16	**-**	-	**12**	16
Fair value adjustment upon initial recognition of trade receivables from sales on instalment basis	**2**	28	**-**	-	**2**	28
Fair value adjustment upon initial recognition of other receivable included in general and administrative expenses	**-**	29	**-**	-	**-**	29
(Gain) loss on disposal of property, plant and equipment	**(4)**	2	**-**	-	**(4)**	2
Impairment losses on						
- trade receivables	**47**	11	**-**	-	**47**	11
- bills receivable	**15**	-	**-**	-	**15**	-
Operating lease rentals in respect of land and buildings	**41**	46	**-**	-	**41**	46
Release of prepaid lease payments on land use rights	**6**	5	**-**	-	**6**	5

7. PROFIT FOR THE YEAR - continued

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Rental income from leasing of properties less related outgoings of HK$54 million (2009: HK$55 million)	**(13)**	(11)	-	-	**(13)**	(11)
Reversal of provision for onerous contracts (Note)	-	-	-	(8)	-	(8)
Share of income taxes of jointly controlled entities	**2**	2	-	-	**2**	2
Staff costs:						
- Directors' emoluments	**53**	27	-	-	**53**	27
- Research and development related staff costs	**71**	70	-	5	**71**	75
- Salaries, bonus, retirement benefits and others	**1,547**	1,045	-	8	**1,547**	1,053
	1,671	1,142	-	13	**1,671**	1,155
(Write-back) write-down of inventories (Note)	**(4)**	14	-	(14)	**(4)**	-

Note: During the year ended 31 March 2009, the management reviewed the net realisable value of the existing inventories and estimated selling prices of respective models of its mobile phones operation, and reassessed the provision for onerous contracts previously made; provision for inventories of HK$14 million and provision for onerous contracts of HK$8 million had been reversed in profit or loss during the year ended 31 March 2009.

8. DIVIDENDS

	2010	2009
	HK$ million	HK$ million
(a) Dividends recognised as distribution during the year:		
Final dividend paid for the year ended 31 March 2009: HK7.0 cents (2009: HK4.5 cents for 2008) per share (Note)	**165**	103
Interim dividend paid for the year ended 31 March 2010: HK8.0 cents (2009: HK1.0 cent) per share	**200**	23
	365	126
(b) Dividends attributable to the year:		
Interim dividend declared and paid of HK8.0 cents (2009: HK1.0 cent) per share	**200**	23
Final dividend proposed after the end of the reporting period of HK8.0 cents (2009: HK7.0 cents) per share	**202**	160
	402	183

8. DIVIDENDS - continued

The proposed final dividend of HK8.0 cents per share is declared on 30 June 2010. Such final dividend is satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 March 2010.

During the year, share dividends alternatives were offered as follows:

	2010	2009
	HK$ million	HK$ million
2009 Final dividends (2009: 2008 Final dividends):		
Cash	**40**	102
Scrip dividends	**125**	1
	165	103
2010 Interim dividends (2009: 2009 Interim dividends):		
Cash	**77**	23
Scrip dividends	**123**	-
	200	23

9. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2010	2009
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**1,251**	460
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,390,899,032**	2,283,395,524
Effect of dilutive potential ordinary shares in respect of - Share options outstanding	**138,496,099**	5,498,066
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,529,395,131**	2,288,893,590

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.

9. EARNINGS PER SHARE - continued

For continuing operations

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

	2010	2009
	HK$ million	HK$ million
Earnings:		
Profit for the year attributable to owners of the Company	**1,251**	460
Adjusted for:		
Gain for the year from discontinued operation	**-**	(43)
	1,251	417

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 nil per share (2009: HK 1.89 cents per share) and diluted earnings per share for the discontinued operation is nil per share (2009: HK 1.88 cents per share), based on the profit for the year from the discontinued operation of nil (2009: HK$43 million) and the denominators detailed above for both basic and diluted earnings per share.

10. 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.

10. TRADE AND OTHER RECEIVABLES - continued

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:

	2010	2009
	HK$ million	HK$ million
Within 30 days	**662**	571
31 to 60 days	**262**	170
61 to 90 days	**132**	112
91 to 365 days	**427**	446
Over 365 days	**101**	104
Trade receivables	**1,584**	1,403
Purchase deposits paid	**104**	113
Value-added-tax ("VAT") receivables	**294**	61
Other deposits paid, prepayments and other receivables	**294**	182
	2,276	1,759

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$762 million (2009: HK$468 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and state-owned television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Of the trade receivables, an amount of HK$51 million (2009: HK$89 million) is due beyond twelve months. The receivables with principal amount of HK$26 million (2009: HK$109 million) have been recorded at initial recognition at its present value of HK$24 million (2009: HK$81 million) with a corresponding debit of HK$2 million (2009: HK$28 million) to turnover for the year as disclosed in note 7. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is 5.985% (2009: 6.57%) per annum.

The following is the ageing of trade receivables which are past due but not impaired:

	2010	2009
	HK$ million	HK$ million
Overdue:		
Within 30 days	**325**	184
31 to 60 days	**107**	52
61 to 90 days	**67**	55
91 days or over	**263**	177
	762	468

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defines credit limits by customer.

Allowance on trade receivables are made based on estimated irrecoverable amounts by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

10. TRADE AND OTHER RECEIVABLES - continued

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the Group has no significant concentration of credit risk of trade and other receivables, with exposure spread over a number of counterparties and customers.

Movement in the allowance for doubtful debts is as follows:

	2010	2009
	HK$ million	HK$ million
Balance at beginning of the year	**107**	105
Impairment loss recognised on trade receivables	**47**	11
Amounts uncollectible written off	**(10)**	(11)
Exchange realignment	**1**	2
Balance at end of the year	**145**	107

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$145 million (2009: HK$107 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

11. BILLS RECEIVABLE

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

	2010	2009
	HK$ million	HK$ million
Within 30 days	**360**	285
31 to 60 days	**421**	296
61 to 90 days	**629**	556
91 days or over	**1,394**	1,252
Bills endorsed to suppliers with recourse	**706**	993
Bills discounted with recourse	**3,428**	1,157
	6,938	4,539

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 is still exposed to credit risk on these receivables as at end of the reporting period. Accordingly, the liabilities associated with such bills, 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 within the end of the reporting period.

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

11. BILLS RECEIVABLE - continued

Movement in the allowance for doubtful debts is as follows:

	2010 HK$ million	2009 HK$ million
Balance at beginning of the year	**-**	-
Impairment loss recognised on bills receivables	**15**	-
Balance at end of the year	**15**	-

12. TRADE AND OTHER PAYABLES

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

	2010 HK$ million	2009 HK$ million
Within 30 days	**963**	1,016
31 to 60 days	**456**	423
61 to 90 days	**719**	265
91 days or over	**202**	168
Trade payables under endorsed bills	**706**	991
Trade payables	**3,046**	2,863
Accrued selling and distribution expenses	**407**	343
Accrued staff costs	**573**	246
Sales deposits received	**499**	269
VAT payable	**32**	41
Other deposits in advance, accruals and other payables	**632**	560
	5,189	4,322

13. BILLS PAYABLE

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

	2010 HK$ million	2009 HK$ million
Within 30 days	**169**	64
31 to 60 days	**126**	18
61 to 90 days	**123**	45
91 days or over	**168**	64
	586	191

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

14. PLEDGE OF ASSETS

At 31 March 2010, 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$103 million (2009: HK$61 million) and HK$115 million (2009: HK$22 million) respectively;

(b) trade receivables of HK$22 million (2009: nil); and

(c) bank deposits of HK$2,394 million (2009: HK$154 million).

In addition, there were other bills receivable endorsed to suppliers and discounted with recourse of HK$706 million (2009: HK$993 million) and HK$3,428 million (2009: HK$1,157 million) respectively.

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

The Group marked a record high for the year ended 31 March 2010 (the "Reporting Year"). Turnover from continuing operations reached HK$22,769 million (Year 2009: HK$15,329 million), representing HK$7,440 million or 48.5% double digit growth. Profits from continuing operations reached HK$1,326 million (Year 2009: HK$460 million), tracking a rapid growth of HK$866 million or 188.3%. Gross profit margin reached 21.4% (Year 2009: 20.2%), steadily going up by 1.2 percentage points.

In the Reporting Year, the macro environment as a catalyst and the Group's fundamentals as solid promoters, kinetically led a milestone of twenty billion total turnover. The promulgation of vast subsidising policies from the China Government (the "State"), the popularisation of digital high definition, the urging consumer demands for product differentiation, revolution of Television ("TV") products, gave yields to the innovations of the TV industry. The expanding scope of State programmes, such as the "Home Appliances to the Countryside" and the "Swapping Old to New" subsidies, stimulated the vigorous TV market structure and product mix reforms: sales momentum strove significantly from the first-tier cities to inland cities and towns, product evolution activated from cathode ray tube ("CRT") TV to liquid crystal display ("LCD") TV, magnifying spans for growth in sales, research and development. The progressing convergence of computer, consumer electronics and communications ("3C") as well as the pilot tri-networks integration project of telecommunications, cable TV and the Internet factorised the Group's plan in building a statue of its own brand to occupy an important market presence with its existing competitive edges in technology and talent reserves. To execute "Healthy and Wonderful Life", the Group widely used self-developed green technologies on icon products, demonstrating its responsiveness to the National call on green energy-saving policy.

The targeted overall TV sales for the Reporting Year was 8.2 million sets, aiming for 6.5 million sets in the mainland China and 1.7 million sets in overseas markets. At the end of the Reporting Year, all objectives exceeded. The actual annual TV sales volume reached 9.0 million sets, 0.8 million sets or 9.8% more than the expected target, of which the mainland China market accounted for 7.03 million sets, exceeded target by 0.53 million sets or 8.2%; the overseas markets accounted for 1.97 million sets, exceeded target by 0.27 million sets or 15.9%.

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

The total mainland China market turnover for the Reporting Year reached HK$20,694 million (Year 2009: HK$13,397 million), rose HK$7,297 million or 54.5%, representing 90.9% of the total Group turnover (Year 2009: 87.4%). The related gross profit margin was 22.5% (Year 2009: 22.5%).

The Group's core business situated in mainland China, with TV business unit being a key player, accounting for 93.0% of its total domestic turnover. Digital set-top boxes and LCD module business units accounted for 5.7% and 0.9%, respectively. Other business units included moulds, automobile electronics, other electronic products and rental properties, etc.

TV Products

The Group's mainland China TV sales reached HK$19,247 million (Year 2009: HK$12,346 million), rose HK$6,901 million or 55.9%.

As one of the largest TV manufacturers in China, the Group contributes to the mainland China TV market. Competitive edges in differentiate product features with credentials to leading TV technologies, country-wide sales hub, sound channeling strategies and reasonable sales product mix, brought upon the glamorous success in sales for the Reporting Year. Retrieving from All View Consulting Co., Ltd. ("AVC") data, Skyworth brand ranked second in both overall mainland China TV sales volume and turnover, accounting for 14.2% and 12.5% (Year 2009: 15.7% and 12.5%), respectively. AVC is a subsidiary of the China Video Industry Association which performs quantitative TV researches with data covering 390 major cities and 4,300 retail terminals in the mainland China, with statistical parameter using cumulative sales data generated in twelve consecutive months period ending 31 March 2010.

The State expanded scopes of "Home Appliances to the Countryside" policy, allowing higher price ceiling on each eligible TV product. The Group quickly responded with its rural strategy, with penetrations of products and services to the rural areas through aspects of service, technology, product, culture, and welfare, seized in market share with convergence of Skyworth culture and service philosophy, and established the social responsibility presence in line with the project. During the Reporting Year, the Group became one of the top ten China electronic enterprises among the "Home Appliances to the Countryside" brands. In fact, the Skyworth brand accounted for 22.7% of LCD TV sales under such policy, ranking first; 18.9% of overall TV sales under such policy, ranking third. Under the new round of bidding, the Group held 48 designated TV models, 11 models of which being light emitting diode ("LED") backlight LCD TV in total, allowing further optimisation of the countryside distribution and after sales service networks, laying a good infrastructure to future sales and revenue.

Digital broadcasting conversion, pilot tri-networks integration project, 3C convergence, the rise of "Internet of Things" have created optimistic expectations towards value-added features and product intelligences, accelerating conceptual speculations towards TV technology diversifications and add-ons enrichments. New consumer channels and e-commerce diversified consumption patterns, selling traits of TV products became similar to other consumer electronics that contains rapid sales growths, forming fierce competitions within TV industry. Confronting dropping product prices and shortening product cycles, the Group persisted its fundamental belief: strengthen core and develop auxiliaries; executed project-based plans, strengthened technical inputs, and promoted innovative products effectively with increasing speed to exploit economies of scales and product profitability. The Group aimed to expand its role in the industrial chain with rational resources allocation to actively develop core technologies by strategic cooperation with domestic reputable universities in new display research and development to improve system efficiency, collaboration and supporting capacity.

Like a standby arrow on a bow, the Group backs its technology on research and development to actively emerge the new LED backlight LCD TV as concerted with the market trend. The Group introduced the ultra-thin LED backlight LCD TV series during the 60th National anniversary holidays. Being the one of the first Chinese brands to introduce such technology, the Group gained first to market statue to benchmark new LCD TV standards within market place, as well a competitive advantage for economies of scales. Through actively exploring market consumption power such as collective purchases, e-shopping and direct sales, restructuring market channels and cohesive selling drove new growth points. During the Reporting Year, the Group sold 5.99 million sets of flat-panel TV (Year 2009: 2.48 million sets), up 3.51 million sets or 1.4 times, representing 85.2% of its total sales volume in China (Year 2009: 39.6%), generating 22.1% gross profit margin (Year 2009: 22.8%).

Other factors for the growth in the mainland China TV turnover included:

- uplifting the competitive advantages of icon products, the CooCaa TV series, in differentiation and market popularity by enhancing web-based audio-visual add-ons (CooCaa Music, CooCaa Movie, CooCaa K) and pioneering new add-ons such as family education (CooCaa School);

- investing in energy-saving LCD TVs, with underlying green technologies such as AGT screen, screen change technology, circuit optimisation program, and nano-cold tubes, bringing profitability and green development, reducing power consumption and pollution;

- setting up innovative design centers to add elements of inevitability to the Group's industrial product designs, winning many world-class product design and technology awards including the "Best of the Best" of German Red Dot Awards and the "Oscar Award in Industrial Design Field" of German iF Product Design Award, marking entrance to international ranks, with international conceptual products as a new selling point;

- ranking 13th in China's top 100 Electronic Information Enterprises, also winning brand titles from "Corporation with Advanced Service Quality", "Famous Brand in Guangdong Province", and "The Most Favored Flat Panel TVs Brand" and many other important industrial and consumer awards and honors, rewarding sales excellence;

- being the designated display terminals sponsor of the World University Games, demonstrating good corporate responsibility and abundant vitality of enterprises; and

- deriving synergy from jointly partnerships in technology research and differentiated product development with streams of supply chain, to stable supplies, optimise product price structure and distribution network enhance competitiveness and improve the TV industry.

As a TV manufacturer, the sales of the China TV business unit of the Group would be affected by the seasonality of the TV market in mainland China. Based on the past track records of the Group, the China business unit would make most of its sales in the month before Chinese New Year holidays, usually in January or February. The next busy month of the China TV business unit would be September when the customers would stock up for the China National Day holidays in the beginning of October, following by April in preparation for the expected increase of sales of TV by retailers in the China Labour Day holidays in the beginning of May.

Although June would normally be a quiet month for the China TV business unit of the Group, it is expected that the business unit would record higher sales volume of LCD TV, when compared with May 2010 and June 2009.

Digital Set-top Boxes

The Group's annual turnover for mainland China digital set-top boxes ("set-top boxes") sales reached HK$1,186 million (Year 2009: HK$901 million), rose HK$285 million or 31.6%.

The State-promoted high-definition and satellite broadcastings stimulated digital TV replacement in inner cities and huge demands for set-top boxes, granting new access to growth. The high-definition set-top boxes replacements which started in major cities such as Beijing and the digital satellite program focusing in the cities also extended to give good spans for set-top boxes business development. The Group is the market leader, obtaining technologies to win important project bids to support competitive prices under high costs of high-definition and satellite set-top boxes raw materials for economies of scale as preconditions to seize domestic market shares. As a result, the gross profit margin dropped to 27.8% (Year 2009: 34.7%), down by 6.9 percentage points.

LCD Modules

The Group's annual turnover for mainland China LCD modules sales reached HK$189 million (Year 2009: HK$106 million), rose HK$83 million or 78.3%.

The Group has been in LCD module business for five years, successfully gripping good shares in small-size LCD module market with exertion in matured LED backlight modules technology and efficient resources deployment in scaling production. The Group built stable customer base, providing the original equipment manufacturing ("OEM") services to international renowned brands. Besides expanding production capacity to Huizhou to cater for the increasing process volume needs, the Group also activated presence in the large-size LCD modules market. The Group launched researches for large-size LED backlight modules conduction and assembling technologies to accommodate China TV business unit development, expanding module productions for specific models.

The management directed guidance on regulatory manuals and structure of authority, strengthened resources and defective rate monitoring, achieving satisfactory results and ability to make growths for LCD module business. As affected by individual customer pricing, gross profit margin for the Reporting Year was 18.1% (Year 2009: 21.8%), slipped by 3.7 percentage points.

(b) Overseas Markets

The Group's annual overseas market turnover reached HK$2,008 million (Year 2009: HK$1,866 million), rose HK$142 million or 7.6%, equivalent to 8.8% of overall turnover (Year 2009: 12.2%). The overall gross profit margin was 10.7% (Year 2009: 4.4%), improved by of 6.3 percentage points.

TV Products

The Group's overseas TV business generated HK$1,292 million turnover for the Reporting Year (Year 2009: HK$1,454 million), slipped HK$162 million or 11.1%, accounting for 64.4% of overall turnover of the segment (Year 2009: 78.0%).

During the Reporting Year, the Group's overseas TV sales improved its gross profit margin by 2.9 percentage points, showing effort to target uplifting overall efficiency by providing OEM and ODM services through integrating research, development and production resources with the China TV business unit. The Group established long-term strategic relationships with prestigious international TV brands, stepping up in negotiations with new strategic partners. Fundamental TV specifications had been the criteria to success in the overseas TV market, driving significant CRT TVs demands in certain geographical segments. The financial crisis scaled down the Group's overseas TV sales to certain extents, declining CRT TV sales earlier in the Reporting Year. Customers repositioned markets with surging LCD TV demands and rising popularity towards LCD TVs brought upon gradually improvements in the Group's overseas TV sales.

Digital Set-top Boxes

The Group's overseas digital set-top boxes generated HK$710 million turnover for the Reporting Year (Year 2009: HK$408 million), up by HK$302 million or 74.0%, accounted for 35.4% of overall turnover of the segment (Year 2009: 21.9%).

The gradual expansion of digital set-top box demands in Europe, joining forces with positive feedbacks from new markets development, induced drastic sales of digital set-top boxes in overall overseas market. The Group maintained collaborative relationships with corporate clients, enforced its gain of recognition in the general public, yielding competitive advantages in bids for purchase orders. With relatively low costs of production, the Group established SMT production line to further reduce outsourcing to ensure low costs and good qualities. During the Reporting Year, the gross profit margin went up by 8.6 percentage points with better inventory and trade receivable turnovers, production efficiency, and reducing operational risks.

Turnover from Overseas Market by Geographical Distribution

	For the year ended 31 March 2010 (%)	For the year ended 31 March 2009 (%)
Asia (including Japan, Korea, Vietnam, etc.)	**21**	19
Europe	**37**	30
America	**30**	38
Middle East	**5**	8
Australia and New Zealand	**1**	1
Africa	**6**	4
	100	100

During the Reporting Year, the Group key focused on overseas markets in Asia, Europe and America, together contributed for 88% of the total overseas turnover (Year 2009: 87%). Among them, the turnover from European market rose 7% due to clientele rearrangement. The turnover generated from Africa, Middle East, and Australia and New Zealand markets accounted for 12% (Year 2009: 13%) of the total overseas turnover.

(3) Selling and Distribution Expenses

The overall selling and distribution ("S&D") expenses for the year amounted HK$2,968 million (Year 2009: HK$2,178 million), rose HK$790 million or 36.3%, consisting mainly marketing and promotional expenses, sales and marketing salaries, and transportation costs. The 13.0% (Year 2009: 14.2%) S&D expenses to turnover ratio represented an improvement of 1.2 percentage points.

The Group incurred HK$995 million (Year 2009: HK$825 million) in branding and marketing campaigns, increased by HK$170 million or 20.6%. In accommodating new product releases, the Group launched a series of brand diffusing campaigns across the nation, such as the "Million Collective Buying" during the Golden Week holiday in China and the "Chinese Folk Song Contest" events during 60th National anniversary. In addition, technical presentations, image spokespersons, and advertisement spreads including broadcasting media to amplify the "Cool on Face, Joy from Heart" home entertainment image and to gain publicity of technological insights in TV products. To confront with growing presence of foreign brands, the Group channeled new sales drivers and enriched promoters on product knowledge. Corresponding variable costs to the sales leap included exhibition and flagship expenditures, promotional manpower expenses, and sales performance pays.

The Group formed special teams to materialise defective indicators maintain good quality controls. Rigorous quality controls effectively enhance overall product reliability, constraining guard warranty and maintenance costs to enhance brand and Group's reputation to maximise stakeholder interests in the long run. Excluding staff costs, the S&D-turnover ratio dropped 1.6 percentage points, demonstrating management's effective commands on above governance.

(4) General and Administration Expenses

The general and administration ("G&A") expenses was HK$680 million (Year 2009: HK$555 million), rose HK$125 million or 22.5%, with 3.0% (Year 2009: 3.6%) ratio to turnover, showing 0.6 percentage points improvement.
The success in sales drove up employee related expenditure during the Reporting Year. Good remuneration matching and reasonable escalations in salaries and welfare expenditure assisted the Group to breed human capital to strengthen the corporate backbone to perform, to manage, to learn with same culture and spirit. The Group also selected talents from campus recruitment to draw new corporate strengths and drivers in areas of software and hardware developments, technical supports, marketing, accounting, product designs.

Research and development expenditure dedicated environments for experts to perform sophisticated technology and trend explorations, yielding national certifications of high-tech enterprise. Through active participation in pilot projects at national and provincial levels, the Group demonstrated its advanced position in technology support programs as "Excellent Enterprise in Promoting China's Flat Panel Display Industry 2009", and attained vast precious patents to escalate the Group from a sustainable brand to a leading brand that promoted development of TV industry. The state of the art product that most symbolised its innovation from recent development would be the world's first Real-Time Chatting TV, the COCO TV, which provides true 3C integration by implanting real-time chat concept into TV through the Intel high-performance CE3100 Internet video communications platform.

Action plans implemented towards G&A expenses included:

- apply stringent principles, perform extra assessments in all operational risk aspects and reviews on provision adequacies when a leap in sales;

- improve production planning, resources execution and coordination to promote system efficiency; and

The management established sound management system, provided clear operational mandates and governance guidelines to ensure G&A expenses were of well spending practice and of Group's interests. Also, the management obtained prompt reports from business units on operation quality to conduct regular reviews and updates on operational scopes, duties and controls to achieve cost objectives.

(5) Inventory Control

At the end of the Reporting Year, the Group held inventories with net carrying value amounted to HK$3,298 million (Year 2009: HK$1,267 million), up by HK$2,031 million or 1.6 times. The closing inventory accounted for 17.2% total assets (Year 2009: 11.5%), up by 5.7 percentage points, mainly due to expanded production scales and changes in raw material component structure, leading increases in overall inventory level and rising unit costs of finished goods.

With LCD TVs being the focal point of production, the cost of LCD panels yields a higher cost of raw material to produce LCD TVs than that to produce CRT TVs, pushing up the carrying value of overall inventory. The urge to mark shares in markets relied on capabilities to gain product differentiations, giving a kickoff of comprehensive transformations in production lines and structures. The accelerating technological upgrades changed inventory structure, and led to volatile prices for new inventory components which imposed a direct impact on values of finished goods with added-on features. The coupled effect of surging TV sales and demands with quicker new product launches shaped large quantity of turnaround inventory, caused the Group to realign adequate raw material reserves to support production plans, mitigating risks of possible increases in future costs and output disruption. The increased inventory value imposed a temporary cash flow pressure; given consideration to the optimistic sales expectations and fast inventory turnover at present, the Group assessed the possibility of making provision on inventory falling prices risk is minimal.

Other controls included:

- **Effective supply chain and logistics management –** improve supply chain management system including further refine liaison and communication between procurement, logistics, production processes, improve sensitivity on market prices, controls on product sourcing, unified supplies and distributions to ensure production efficiency, speed of product flow, and prevent accumulation of excessive inventory.

- **Inventory status as Key Performance Indicators (“KPI”) criteria –** using inventory turnover days, raw material shortage ratio, and inventory provision as evaluation basis for business unit performance to align the interests among business units and the Group as a whole.

At the end of the Reporting Year, the overall inventory turnover days was 47 days (Year 2009: 48 days). The inventory turnover days for raw materials and finished goods were 17 days and 27 days (Year 2009: 15 days and 29 days), respectively. The Group emphasises on risk managements in inventory and product cycle that cause potential externalities; also, sensitivity awareness to supplier markets, improving inventory cost observation and negotiation, shielding critical success in prevention of wastage and exploitation of capital flexibility.

(6) Trade Receivables and Bills Receivable

At the end of the Reporting Year, the Group’s total trade receivables and bills receivable amounted to HK$8,522 million (Year 2009: HK$5,942 million), up by HK$2,580 million or 43.4%.

The receivable balance reflects in the 48.5% increase in overall turnover. Trade receivables amounted HK$1,584 million (Year 2009: HK$1,403 million), up HK$181 million or 12.9%; bills receivable amounted HK$6,938 million (Year 2009: HK$4,539 million), up HK$2,399 million or 52.9%. Receivables from TV and digital set-top boxes business units accounted for 81.6% and 12.8%, respectively. The 55.9% increase in TV business unit’s turnover set rise for the 46.6% increase in receivables; as for the digital set-top boxes business unit, the 21.3% increase in receivables was also coherent with its 31.6% increase in turnover. The consistent growth in receivables with turnover and the significant declines in 90 days above trade receivables aging reflected the Group's competence in its credit and collection management.

(7) Trade Payables and Bills Payable

At the end of the Reporting Year, the Group’s total trade payables and bills payable were HK$3,632 million (Year 2009: HK$3,054 million), up by HK$578 million or 18.9%.

The payable balance increased primarily reflected the large quantity procurements from soaring product demands, as well as the elevated TV and digital set-top boxes raw materials prices and the higher unit costs from product revolution. As the sales increase necessitated the needs to enhance trade payable settlements, the Group has undergone a series of settlement procedures and system optimisation, enhanced monitoring and controls by improving information system accuracy and payment timeliness, uplifted the Group’s overall credibility.

LIQUIDITY AND FINANCIAL RESOURCES

At the end of the Reporting Year, the Group had HK$4,268 million net current assets (Year 2009: HK$2,757 million), up by HK$1,511 million or 54.8%. In total, cash and cash equivalents amounted to HK$2,191 million (Year 2009: HK$1,385 million), up by HK$806 million or 58.2%. Pledged deposit amounted to HK$2,394 million (Year 2009: HK$154 million), up by HK$2,240 million or 14.5 times.

The Group had a net cash inflow of HK$800 million (Year 2009: outflow of HK$101 million). Although rapid increase in sales caused great demands in inventory and drove up bills receivables, creating a temporary operating cash outflow, the overall cash flow was positive. The Group closely monitors changes in the global financial market and related State policies, implemented and trailed strict measures to keep track of receivable settlements and operating cash flow conditions. To maintain liquidity adequacy for operation continuity, the Group facilitated various means of trade finance from banks and certain suppliers. At the end of the Reporting Year, the balance of the discounted bills with recourse amounted HK$3,428 million (Year 2009: HK$1,157 million), went up by HK$2,271 million or 2.0 times. Such discounted bills receivable with recourse would be released upon maturity. Utilised trade facilities and loans granted by various banks were secured by certain Group's assets, including HK$2,394 million bank deposits (Year 2009: HK$154 million) and HK$218 million net book value (HK$83 million) of land and properties within the mainland China and Hong Kong.

The Group adopted principle of prudence, and remained financially sounded. At the end of the Reporting Year, the Group had HK$968 million total bank borrowings (Year 2009: HK$147 million), HK$5,773 million shareholders' equity (Year 2009: HK$4,353 million), yielding 16.8% gearing ratio (Year 2009: HK$3.4%). Such bank borrowings excluded secured financial liabilities arrangements including HK$3,428 million discounted bills (Year 2009: HK$1,157 million) and HK$2,325 million non-deliverable forwards ("NDF") (Year 2009: HK$125 million). With the aforesaid, such ratio would be 116.4% (Year 2009: HK$32.8%).

The maturity dates of the aforesaid NDF arrangements and related pledged contracts fall into the upcoming year, leading an increase in pledged deposits, mainly in RMB. Other key financial ratios are included in Financial Highlights of the annual report.

TREASURY POLICY AND CASH FLOWS MANAGEMENT

With investments mainly situated in the mainland China, the Group's assets and liabilities are mainly denominated in Renminbi ("RMB"), and the remaining are denominated in Hong Kong dollars or US dollars. During the Reporting Year, the Group may require to carry out general trade financing to fulfill operation cash flow needs. The tightening of the State credit policy led to a substantial increase in associated financing costs. As a result, the Group increased the utilisations of currency-based and income-based financial management tools introduced by banks to offset the financing pressure. During the Reporting Year, the Group had recognised HK$29 million (Year 2009: HK$79 million) net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to relatively mild RMB fluctuations.

The management conducts regular needs analyses on hedging actions appropriating to both foreign currency and interest movements. There was no material appreciation in RMB against Hong Kong dollars. Given the Group used US dollars in certain operational settlements, and the optimistic view of anticipating RMB appreciation in the long run, the Group engaged into new NDF contracts with certain banks. Such contracts included pledged deposits in RMB, pairing with equivalent value borrowings in US dollars at agreed forward rates, aiming to maximise earnings from interest, foreign exchange, and fair value gains. At the end of the Reporting Year, the Group recognised HK$14 million net gains (Year 2009: HK$43 million) from NDF contracts and most will be expired in the upcoming year. For details of arrangements, please refer to note 36 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, certain rental properties with carrying value of HK$127 million was transferred from property, plant and equipment to investment properties in accordance with Hong Kong accounting standards. An addition of HK$97 million in construction projects were under way, including certain new production line projects, the ongoing construction of logistic centres, and the new construction phases for Guangzhou 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$240 million on the exhibition hall and outdoor LED display in the Group's production plant in Shiyan, plants and other equipments including production line setups; and has planned to commit HK$159 million on plant 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$64 million in strategic solutions through direct investments or available-for-sale investments in industries related to TV business, to constitute an infrastructure with audio-visual auxiliaries and product content supports for more integrated TV product development. The Group also committed US$133 million in the formation of a joint venture in China mainly engaged in production and sales of TFT-LCD panels, enhancing the Group's ability to source panels being the key component of LCD TV. To sustain further expansion, HK$35 million was invested for the establishment of new growth points including new digital display related business setups, and refrigerator and washing machine businesses, widening consumer choices of quality products.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities (Year 2009: nil) during the reporting year. The details of certain patent disputes are disclosed in note 48 to the consolidated financial statements in the annual report.

HUMAN RESOURCES CAPITAL

At 31 March 2010, the Group had 22,000 employees (Year 2009: 21,000) all over China (Hong Kong and Macau inclusive), including sales personnel situated throughout 40 branches and 169 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive plans, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

SALES VOLUME TARGETS FOR THE NEW FINANCIAL YEAR

With reasonable forecasts on the upcoming economic and TV market conditions, the Group projects an aggregated annual target of 9.5 million sets TV sales volume for the new financial year, 7.5 million sets in the mainland China market and 2.0 million sets in the overseas market. The mainland China TV sales target consists of 5.5 million cold cathode fluorescent lamp ("CCFL") LCD backlight TVs and 2.0 million LED backlight LCD TVs. The Group plans to sell insignificant quantity of CRT TV in the mainland China market.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, Skyworth Digital Holdings Limited (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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the year ended 31 March 2010 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 Company and its subsidiaries (the "Group") and implementing the business strategies and policies as determined by the board of directors of the Company (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 Company and its subsidiaries (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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the financial year 2009/10, among the four INEDs of the Board Mr. Xie Zhengcai resigned on 28 December 2009, another INED of the Board, Mr. Tsui Tsin Tong, passed away suddenly in Beijing on 2 April 2010. The Board is now in a transitional period and is in the process of identifying an appropriate person to fill the vacancy created by the regrettable passing away of Mr. Tsui Tsin Tong.

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 currently comprises of two INEDs. The chairman of the Audit Committee is Mr. So Hon Cheung, Stephen and the other member is Mr. Li Weibin.

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 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2010 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.

FINAL DIVIDEND

The Board has proposed a final dividend for the year ended 31 March 2010 of HK8 cents per ordinary share (2009: HK7 cents), totaling approximately HK$202 million (2009: HK$160 million) to shareholders whose names appear on the register of members of the Company at the close of business on 1 September 2010. 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 26 August 2010 to 1 September 2010, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend payable on or around 28 September 2010, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 25 August 2010.

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, 30 June 2010

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

* *for identification purposes only*