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 2011

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

Highlights of results

The Group recorded the following results during the year ended 31 March 2011:

- Turnover reached HK$24,339 million (91.1% from the mainland China market), an increase of 6.9% from that of the financial year ended 31 March 2010 (the "Previous Year").
- Sales of TV products and digital set-top boxes accounted for 82.8% and 15.2% of the Group's total turnover respectively.
- Gross profit achieved HK$4,663 million (HK$1,971 million in the first half year), decreased by 4.3%; and gross profit margin was 19.2% (17.7% in the first half year), decreased by 2.2 percentage points compared with that of Previous Year.
- Profit before non-controlling interests for the year were HK$1,281 million, a decrease of 3.4% from that of Previous Year.
- The Board has proposed a final dividend of HK9.0 cents per share with an option to elect new shares in lieu of cash. This represents a dividend payout ratio of 30.5% 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 2011(the "Reporting Year") together with the comparative figures for the Previous Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

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

	NOTES	**2011**	2010
Turnover	2	**24,339**	22,769
Cost of sales		**(19,676)**	(17,896)
Gross profit		**4,663**	4,873
Other income		**390**	402
Other gains and losses	4	**101**	33
Selling and distribution expenses		**(2,854)**	(2,968)
General and administrative expenses		**(696)**	(680)
Finance costs		**(139)**	(122)
Share of results of jointly controlled entities		**29**	14
Profit before taxation		**1,494**	1,552
Income taxes	5	**(213)**	(226)
Profit for the year	6	**1,281**	1,326
Other comprehensive income (expense)			
Exchange differences arising on translation		**254**	26
Fair value gain on available-for-sale financial assets		**7**	3
Fair value loss on cash flow hedges		**(19)**	-
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		**-**	(2)
Deferred tax arising on exchange differences on the Group's net investments in foreign operations		**(13)**	(2)
Other comprehensive income for the year		**229**	25
Total comprehensive income for the year		**1,510**	1,351
Profit for the year attributable to:			
Owners of the Company		**1,174**	1,251
Non-controlling interests		**107**	75
		1,281	1,326
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,390**	1,276
Non-controlling interests		**120**	75
		1,510	1,351
Earnings per share (expressed in HK cents)			
Basic	8	**45.90**	52.32
Diluted	8	**44.18**	49.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

Amounts expressed in HK$ million

	NOTES	**2011**	2010
Non-current assets			
Property, plant and equipment		**1,709**	1,399
Investment properties		**77**	125
Prepaid lease payments on land use rights		**294**	230
Interests in jointly controlled entities		**195**	156
Other receivable		**96**	90
Available-for-sale investments		**197**	43
Prepayment		**4**	12
Deferred tax assets		**60**	35
		2,632	2,090
Current Assets			
Inventories		**2,657**	3,298
Stock of properties		**4**	-
Prepaid lease payments on land use rights		**7**	5
Trade and other receivables, deposits and prepayments	9	**2,954**	2,276
Bills receivable	10	**7,251**	6,938
Derivative financial instruments		**6**	4
Amounts due from jointly controlled entities		**32**	13
Held for trading investments		**14**	13
Structured bank deposit		**36**	-
Pledged bank deposits		**558**	2,394
Bank balances and cash		**2,524**	2,191
		16,043	17,132
Current Liabilities			
Trade and other payables	11	**5,162**	5,189
Bills payable	12	**917**	586
Obligations arising from put options written to non-controlling interests		**125**	84
Derivative financial instruments		**19**	11
Provision for warranty		**49**	40
Amounts due to jointly controlled entities		**5**	1
Amounts due to minority shareholders of subsidiaries		**-**	14
Tax liabilities		**154**	178
Bank borrowings		**3,577**	6,721
Deferred income		**23**	40
		10,031	12,864
Net Current Assets		**6,012**	4,268
Total Assets less Current Liabilities		**8,644**	6,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED
AT 31 MARCH 2011

Amounts expressed in HK$ million

	2011	2010
Non-current liabilities		
Obligations arising from put options written to non-controlling interests	**183**	159
Provision for warranty	**44**	32
Bank borrowings	**778**	-
Deferred income	**263**	215
Deferred tax liabilities	**127**	98
	1,395	504
NET ASSETS	**7,249**	5,854
Capital and Reserves		
Share capital	**259**	253
Share premium	**1,863**	1,665
Share option reserve	**97**	91
Investment revaluation reserve	**11**	4
Surplus account	**38**	38
Capital reserve	**319**	277
Exchange reserve	**739**	511
Hedging reserve	**(19)**	-
Accumulated profits	**3,767**	2,934
Equity attributable to owners of the Company	**7,074**	5,773
Non-controlling interests	**175**	81
	7,249	5,854

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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair value measurement[4]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 January 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 July 2010.

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

HKFRS 9 Financial Instruments

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

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

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

The directors of the Company anticipate that the application of the other new and revised Standards and 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:

	2011 **HK$ million**	2010 HK$ million
Sales of TV products	**20,163**	20,539
Sales of digital set-top boxes	**3,696**	1,895
Sales of LCD modules	**111**	189
Sales of other electronic products	**294**	79
Property rental income	**75**	67
	24,339	22,769

3. SEGMENT INFORMATION

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

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

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

Segment information about these businesses is presented below.

<u>Segment revenues and results</u>

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

For the year ended 31 March 2011

	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								
Segment revenue from external customers	19,069	1,094	3,696	111	294	75	-	24,339
Inter-segment revenue	215	49	-	707	105	-	(1,076)	-
Total segment revenue	19,284	1,143	3,696	818	399	75	(1,076)	24,339
Results								
Segment results	1,291	23	371	7	(13)	45	-	1,724
Interest income								45
Unallocated corporate expenses less income								(165)
Finance costs								(139)
Share of results of jointly controlled entities								29
Consolidated profit before taxation of the Group								1,494

3. SEGMENT INFORMATION - continued

For the year ended 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
Turnover								
Segment revenue from external customers	19,181	1,358	1,895	189	79	67	-	22,769
Inter-segment revenue	96	-	-	338	63	57	(554)	-
Total segment revenue	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
Consolidated profit before taxation of the Group								1,552

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 interest income, corporate expenses less income, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

As at 31 March 2011

	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	**10,775**	**307**	**2,359**	**190**	**374**	**82**	**-**	**14,087**
Interests in joint controlled entities								**195**
Unallocated corporate assets								**4,393**
Total consolidated assets								**18,675**
Liabilities								
Segment liabilities	**3,853**	**317**	**1,609**	**171**	**175**	**41**	**-**	**6,166**
Unallocated corporate liabilities								**5,260**
Total consolidated liabilities								**11,426**

3. SEGMENT INFORMATION - continued

Segment assets and liabilities

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	125	-	13,572
Interests in joint controlled entities								156
Unallocated corporate assets								5,494
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

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

- all assets are allocated to reportable segments other than interest in jointly controlled entities, available-for-sale investments, deferred tax assets, derivative financial instruments, held for trading investments, structured bank deposit, pledged bank deposits, bank balances and cash, and other unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than obligations 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, bank borrowings, deferred income, deferred tax liabilities and other unallocated corporate liabilities.

Other segment information

For the year ended 31 March 2011

	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**
Included in measure of segment results or segment assets:								
Amortisation of prepaid lease payments on land use rights	**4**	**-**	**2**	**-**	**-**	**1**	**-**	**7**
Capital expenditure on								
- Property, plant and equipment	**201**	**4**	**43**	**12**	**84**	**131**	**-**	**475**
- Prepaid lease payments for land	**58**	**-**	**-**	**-**	**-**	**-**	**-**	**58**
Depreciation of								
- Property, plant and equipment	**183**	**17**	**17**	**7**	**19**	**9**	**-**	**252**
- Investment properties	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**7**
(Write-back) write-down of inventories	**(18)**	**(19)**	**9**	**2**	**(1)**	**-**	**-**	**(27)**

3. SEGMENT INFORMATION – continued

Other segment information - continued

For the year ended 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
Included in measure of segment results or segment assets:								
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
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)

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 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)**	
	2011	2010	**2011**	2010
	HK$ million	HK$ million	**HK$ million**	HK$ million
PRC	**22,180**	20,761	**2,070**	1,740
Asia region (other than PRC)	**663**	416	**3**	3
Europe	**588**	734	**1**	4
Other regions	**908**	858	**6**	7
	24,339	22,769	**2,080**	1,754

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

4. OTHER GAINS AND LOSSES

	2011 HK$ million	2010 HK$ million
Other gains and losses comprise:		
Cumulative gain reclassified from equity on disposal of investments classified as available-for-sale	**-**	2
Exchange gains, net	**97**	29
Gain (loss) from changes in fair value of derivative financial instruments	**8**	(1)
Impairment loss recognised in respect of available-for-sale investments	**(1)**	-
Loss from changes in fair value of financial assets classified as held for trading	**(1)**	(1)
(Loss) gain on disposal of property, plant and equipment	**(2)**	4
	101	33

5. INCOME TAXES

	2011 HK$ million	2010 HK$ million
Income taxes comprise:		
Hong Kong Profits Tax		
Underprovision in prior years	**-**	3
PRC income tax		
Current year	**255**	196
Overprovision in prior years	**(35)**	-
	220	199
Deferred taxation	**(7)**	27
	213	226

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.

5. INCOME TAXES - continued

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Enterprise Income Tax Law of the PRC and Article 91 of the Implementation Rules of Enterprise Income Tax Law of the PRC. Deferred tax expense of HK$25 million (2010: HK$25 million) in respect of the additional undistributed earnings of subsidiaries and jointly controlled entities has been recognised in profit or loss for the year while HK$3 million (2010: nil) of the previously provided deferred tax has been reversed and charged as current tax upon distributions by its subsidiaries during the year.

The income taxes for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 **HK$ million**	2010 HK$ million
Profit before taxation	**1,494**	1,552
Tax at applicable tax rate at 15% (Note) (2010: 15%)	**224**	233
Tax effect of expenses not deductible for tax purpose	**12**	22
Tax effect of income not taxable for tax purpose	**(25)**	(17)
(Over) underprovision in prior years	**(35)**	3
Tax effect of tax losses not recognised	**34**	4
Utilisation of tax losses previously not recognised	**(8)**	(15)
Tax effect of share of results of jointly controlled entities	**(2)**	(2)
Effect of income taxed at concessionary rates granted by the PRC tax authorities	**(64)**	(53)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**48**	26
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	**25**	25
Others	**4**	-
Income taxes for the year	**213**	226

Note: The applicable tax rate is with reference to the statutory tax rate of the Company’s principal subsidiary which is approved as New-High Technology Enterprise by relevant government authority and is enjoying preferential tax rate of 15% for three years starting from 16 December 2008 subject to renewal upon expiration.

6. PROFIT FOR THE YEAR

	2011	2010
	HK$ million	HK$ million
Profit for the year has been arrived at after charging (crediting):		
Auditors' remunerations	**7**	7
Cost of inventories recognised as an expense	**19,661**	17,846
Depreciation of property, plant and equipment	**252**	218
Depreciation of investment properties	**7**	2
Fair value adjustment upon initial recognition of trade receivables from sales on instalment basis	**4**	2
Impairment loss on bills receivable	**-**	15
Impairment loss on trade receivables	**25**	47
Impairment loss recognised in respect of available-for-sale investments	**1**	-
Loss (gain) on disposal of property, plant and equipment	**2**	(4)
Operating lease rentals in respect of land and buildings	**41**	41
Release of prepaid lease payments on land use rights	**7**	6
Rental income from leasing of properties less related outgoings of HK$42 million (2010: HK$54 million)	**(33)**	(13)
Research and development costs included in general and administrative expenses (including staff costs of HK$88 million (2010: HK$71 million))	**125**	98
Share of income taxes of jointly controlled entities	**6**	2
Staff costs:		
- Directors' emoluments	**59**	53
- Research and development related staff costs	**88**	71
- Salaries, bonus, retirement benefits and others of other staff	**1,364**	1,547
	1,511	1,671
Write-back of inventories	**(27)**	(4)

7. DIVIDENDS

	2011 HK$ million	2010 HK$ million
(a) Dividends recognised as distribution during the year:		
2010 Final – HK$8.0 cents (2010: 2009 final dividend HK$7.0 cents) per share	**202**	165
2011 Interim – HK$5.0 cents (2010: 2010 interim dividend HK$8.0 cents) per share	**130**	200
	332	365
(b) Dividends attributable to the year:		
Interim dividend declared and paid of HK5.0 cents (2010: HK8.0 cent) per share	**129**	200
Final dividend proposed after the end of the reporting period of HK9.0 cents (2010: HK8.0 cents) per share	**233**	202
	362	402

The final dividend of HK9.0 cents per share is proposed by the directors of the Company on 29 June 2011. 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 2011.

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

	2011 HK$ million	2010 HK$ million
2010 Final dividend (2010: 2009 Final dividend):		
Cash	**87**	40
Scrip dividends	**115**	125
	202	165
2011 Interim dividend (2010: 2010 Interim dividend):		
Cash	**63**	77
Scrip dividends	**67**	123
	130	200

8. EARNINGS PER SHARE

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

	2011	2010
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**1,174**	1,251
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,557,514,563**	2,390,899,032
Effect of dilutive potential ordinary shares in respect of share options outstanding	**99,670,345**	138,496,099
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,657,184,908**	2,529,395,131

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. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

	2011 **HK$ million**	2010 HK$ million
Within 30 days	**733**	662
31 to 60 days	**203**	262
61 to 90 days	**235**	132
91 to 365 days	**749**	427
Over 365 days	**131**	101
Trade receivables	**2,051**	1,584
Advertising deposits paid	75	35
Purchase deposits paid	**312**	104
VAT receivables	**265**	294
Other deposits paid, prepayments and other receivables	**251**	259
	2,954	2,276

Included in the Group’s trade receivable balance are debtors with aggregate carrying amount of HK$872 million (2010: HK$762 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 television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group is 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$41 million (2010: HK$51 million) has credit period of over one year. During the year, receivables with principal amount of HK$35 million (2010: HK$26 million) have been recorded at initial recognition at its present value of HK$31 million (2010: HK$24 million) with a corresponding debit of HK$4 million (2010: HK$2 million) to turnover for the year. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is 9.96% (2010: 5.985%) per annum.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued

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

	2011	2010
	HK$ million	HK$ million
Overdue:		
Within 30 days	**309**	325
31 to 60 days	**148**	107
61 to 90 days	**70**	67
91 days or over	**345**	263
	872	762

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.

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 end of the reporting period. 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:

	2011	2010
	HK$ million	HK$ million
Balance at 1 April	**145**	107
Impairment loss recognised on trade receivables	**25**	47
Amounts uncollectible written off	**(65)**	(10)
Exchange realignment	**2**	1
Balance at 31 March	**107**	145

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$107 million (2010: HK$145 million) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

10. BILLS RECEIVABLE

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

	2011	2010
	HK$ million	HK$ million
Within 30 days	**967**	360
31 to 60 days	**943**	421
61 to 90 days	**1,501**	629
91 days or over	**2,841**	1,394
Bills endorsed to suppliers with recourse	**306**	706
Bills discounted with recourse	**693**	3,428
	7,251	6,938

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.

Movement in the allowance for doubtful debts is as follows:

	2011	2010
	HK$ million	HK$ million
Balance at 1 April	**15**	-
Impairment loss recognised on bills receivables	**-**	15
Amounts uncollectible written off	**(15)**	-
Balance at 31 March	**-**	15

11. TRADE AND OTHER PAYABLES

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

	2011 **HK$ million**	2010 HK$ million
Within 30 days	**1,273**	963
31 to 60 days	**333**	456
61 to 90 days	**559**	719
91 days or over	**144**	202
Trade payables under endorsed bills	**306**	706
Trade payables	**2,615**	3,046
Accrued selling and distribution expenses	**610**	407
Accruals and other payables	**619**	545
Accrued staff costs	**381**	573
Other deposits received	**108**	87
Sales deposits received	**718**	499
VAT payable	**111**	32
	5,162	5,189

12. BILLS PAYABLE

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

	2011 **HK$ million**	2010 HK$ million
Within 30 days	**200**	169
31 to 60 days	**218**	126
61 to 90 days	**242**	123
91 days or over	**257**	168
	917	586

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

13. PLEDGE OF ASSETS

At 31 March 2011, the Group's bank borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights and leasehold land and buildings with carrying value of HK$87 million (2010: HK$103 million) and HK$92 million (2010: HK$115 million) respectively; and

(b) structured bank deposits and pledged bank deposits of HK$36 million (2010: nil) and HK$558 million (2010: HK$2,394 million).

In addition, the Group's bank borrowings at 31 March 2010 were secured by trade receivables of HK$22 million.

There were other bills receivable endorsed to suppliers and discounted with recourse of HK$306 million (2010: HK$706 million) and HK$693 million (2010: HK$3,428 million) respectively.

BUSINESS PERFORMANCE REVIEW

(1) Overall Business Review

Steady growth in turnover

The consolidated turnover of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the Reporting Year reached HK$24,339 million (Year 2010: HK$22,769 million), representing an increase of 6.9%. The profit for the year reached HK$1,281 million (Year 2010: HK$1,326 million), slightly decreased by 3.4%, year-on-year. Gross profit margin was 19.2% (Year 2010: 21.4%), declined by 2.2 percentage points compared with that of the financial year ended 31 March 2010 (the "Pervious Year").

For the Reporting Year, steady growth in turnover was driven by a leaping sales volume in digital set-top boxes As a result of the intense market competence and product-mix transformation, although the overall sales volume of television ("TV") products reduced by 11.2%, turnover was only 1.8% less than that of the Previous Year. In a blazed competing year, the Group remained predominance to its strategic market share that adequately reflected consumers' confidence to our products.

(2) Business Review by Geographical and Product Segments

(a) Mainland China Market

For the Reporting Year, the mainland China market accounted for 91.1% of the Group's total turnover, recorded a 6.8% growth from HK$20,761 million of that in Previous Year to HK$22,180 million. The related gross profit margin was 19.7% (Year 2010: 22.5%), representing a decrease of 2.8 percentage points year on year.

The Group's TV business unit in mainland China accounted for 86.4% of the total domestic turnover. The sales of digital set-top boxes and LCD modules units accounted for 12.1% and 0.5%, respectively. Other business units including those engaging in manufacturing of washing machines, refrigerators, moulds, automobile electronics, other electronics products and rental collection etc attributed the remaining 1.0%.

<u>TV Products</u>

The Group has been dedicating to enhance the market share of liquid crystal display ("LCD") televisions with light emitting diode backlight ("LED LCD TV"). CooCaa E70 Health-Fitness TV and CooCaa Smart 3D TV which was launched in the Reporting Year provided high-quality entertainment andde audio-visual experience to consumers. For the Reporting Year, over 6.26 million Flat Panel TV sets under Skyworth brand were sold in mainland China, of which 1.56 million were LED LCD TV, representing 25.0% of TV sold by the Group in mainland China, increased by 23.2 percentage points

For the Reporting Year, the TV sales in mainland China market slightly decreased by 0.7% and reached HK$19,103 million (Year 2010: HK$19,247 million). Year 2011 was a year fraught with challenges; the Group maintained glamorous success in turnover although TV industry has confronted with an abnormal high inventory level and fierce competition, especially in the first half of the Report Year. Relying on the endless creativity of our professional team and wide covered nationwide distribution network, the Group has become one of the largest TV manufacturers in mainland China. According to the TV market survey performed by All View Consulting Co., Ltd. ("AVC"), Skyworth LCD TV (including LCD TV with cold cathode fluorescent lamp backlight ("CCFL LCD TV") and LED LCD TV) ranked first in terms of cumulative sales volume, representing 15.8% of total market share, and ranked first and second in all TV in terms of cumulative sales volume and amount accounting for 14.4% and 13.0% of total market share, respectively, for twelve consecutive months ended 31 March 2011. AVC is a subsidiary of the China Video Industry Association which performs quantitative TV researches with data covering 390 major cities and 4,300 retail terminals in the mainland China.

Having pace of LED LCD TV accelerated to replace CCFL LCD TV, Smart TV (general term for TV with an operating system, proprietary, independent application software and internet connectivity) and LCD TV with three-dimensional (“3D”) display technology (“3D TV”) will be the market focus. The Group seized this opportunity to expand LED TV, Smart TV and 3D TV market to maintain its leadership. The Group’s China TV business unit has launched LED LCD TV with film patterned retarded (“FPR”) 3D technology since December 2010. In early March 2011, it has launched CCFL LCD TV with the same kind of FPR 3D technology but at a price level lower than LED LCD TV with FPR 3D technology mainly to target for mainstream potential consumers.

The Group continuously strives for innovation, with establishment of the Research Institute and Innovation Design Center that ceaselessly upgrades our product design, functionality and technology. These new products will fulfill the mainland China and international markets in order to secure our leading position. During the Reporting Year, the Group’s sales in innovation products accounted for 80% of the overall turnover. In the 44th International Consumer Electronics Show, the Skyworth brand was awarded both “Chinese Top 10 Consumer Electronics Brands” and “Global Top 20 TV Brands”. It demonstrated the Group’s strength in the consumer electronics industry.

Other key awards contributing to the improvement of TV products sales in mainland China market include:

- research on energy-saving LCD TV enhances our image in corporate environmental responsibility. The Group launched the CooCaa TV with LED backlight series to enrich high-end market line in further to advance our market image. Some of the LED TV models even titled with the “Green Product Award” and the “Energy Saving Star”;

- on the 5th convention of China’s Electronics Enterprise Brands in 2010, the Group ranked top three for the “Top 10 Fastest-Growing Brands” and had retained the title for three consecutive years. The Group also won “2010 1st China Flat TV Brand Value”, “2010 Chinese Exemplary Brand of Healthy and Green Home Appliances” and “2010 Chinese Top 10 Social Responsibility Brands”, while the Group’s CooCaa LED E70 Healthy-Fitness TV was honored the “2010 Top 10 China New Products”;

- the Group was the only enterprise in color TV industry that honored the “China Top 10 After-Sale Service Enterprises”;

- the Group has won both Red Star Award and Red Cotton Award of China’s innovative industrial design. E18 series of CooCaa TV grasped the Red Star Award for its innovative exterior design with outstanding craft performance and low-carbon environment protection. E16, E81 and E70 series have grasped the Red Cotton Award (home appliance category) in 2010;

- the Group won “2010 China Most Competitive Consumer Electronics Brand” and CooCaa 3D engine won “The Best Comfort 3D Technology Award” of the "2010 China Best Technical Innovation Award of Consumer Electronics” in the 6th Annual Convention of China's Consumer Electronics; and

- the Group had the most qualified TV products in terms of different models and quantities under the "Home Appliances to the Countryside" policy in 2011. Among the 80 qualified models, the Group's TV basically covered from low to high-end products, more than half of these are LED TV products. In addition, specific LED backlight series are catered for the rural areas to enhance the Group's competitiveness.

Digital Set-top Boxes

During the Reporting Year, the Group seized the opportunity of 3C (ie., content, computers and communication) convergence as well as the international events such as High-Definition World Cup, High-Definition Expo and High-Definition Asian games, to build up our brand awareness and product penetrability. As a result, the sales volume of digital set-top boxes exceeded 10 million sets and ranked number one among set-top boxes industry in mainland China. In addition, the digital set-top boxes business unit has stepped up efforts to expand the market in the second and third tier cities in mainland China. The demand for 3C convergence on set-top boxes and the broadcasting of satellite programs helped the development of the related products and assisted the Group to enlarge its market share that doubled the turnover. For the Reporting Year, the digital set-top boxes turnover in mainland China market recorded HK$2,676 million (Year 2010: HK$1,186 million), representing a substantial growth of 125.6% or HK$1,490 million.

Being the market leader with the advance technology to lower cost and to increase production efficiency, the Group would be able to take advantage of the overall inclining demand of digital set-top boxes.

LCD Modules

For the Reporting Year, LCD modules focused on providing original equipment manufacturing ("OEM") services for both internal and external customers, as a result, turnover of LCD modules in mainland China recorded HK$111 million (Year 2010: HK$189 million), representing a decrease of 41.3%.

With the increasing popularity and affordability of LED backlight display products, featured by slimmer, brighter and sharper pictures, as well as greater color contrast and lower power consumption, all of these characteristics boosted up the demand for LED products. The Group is sophisticated in LCD module production with years of experience, regardless of either large-size or small-size LCD module, our exertion in LED backlight module technology successfully retained our brand reputation. Recognition of product quality by international brands helped the Group to maintain a stable customer base.

During the year, management of the Group's LCD Modules business unit issued a series of instructions, regulatory manuals and supply chain management rules in order to standardize the management system and strengthen resources to reduce the defective rate. Being affected by individual customer pricing, gross profit margin for the Reporting Year was 14.1% (Year 2010: 18.1%), slipped by 4.0 percentage points.

(b) Overseas Markets

The turnover generated from overseas markets accounted for HK$2,159 million (Year 2010: HK$2,008 million), equivalent to 8.9% of overall turnover (Year 2010: 8.8%), rose HK$151 million or 7.5%. The gross profit margin was 12.9% (Year 2010: 10.7%), representing an increase of 2.2 percentage points.

TV Products

For the Reporting Year, the turnover of overseas TV products was HK$1,060 million (Year 2010: HK$1,292 million), equivalent to 49.1% (Year 2010: 64.4%) of the total overseas turnover, slipped by 18.0%. Total overseas sales volume decreased 19.0% to 1.60 million sets due to the overseas sales volume of cathode ray tube ("CRT") TVs declined 28.7% to 1.12 million sets, and flat panel TVs increased by only 19.9% or 0.78 million sets, which partly offset the gap of decrease in CRT TVs.
During the year, cautious strategy was adopted due to the tardiness recovery in foreign economy and debt crisis in Europe, coupled with the transformation of the product structure and stagnated growth in flat-panel TVs, resulted in slowdown sales in overseas markets. The Group steps up in negotiations with new strategic partners. 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 sales amount of overseas digital set-top boxes for the Reporting Year increased by 43.7% to HK$1,020 million (Year 2010: HK$710 million).

Benefitting from the product-mix flexibility, the supply chains enhancement and the successful marketing strategies, the digital set-top boxes sales in America recorded strong growth with turnover increased by 97.4%. Although Europe was under the shadow of the sovereignty debt crisis, with the well-built customer relationship and the improvement of the product quality, the slowdown in Europe did not affect the business unit's performance. During the Reporting Year, the overall sales in Europe had recorded a steady growth of 17.0%. Apart from that, the digital set-top boxes would keep on exploring overseas markets and would further strengthen its relationship with its customers.

Geographical Distribution

During the Reporting Year, the Group actively exploited emerging markets in Asia, causing Asian contributions rose to the first among all other overseas areas. With aggregation to Europe and America consists up to 84% in overseas turnover and forms the major overseas market. Africa, Middle East, and Australia and New Zealand markets accounted for 16% of the total overseas turnover. The geographical distribution of the turnover in percentage for overseas markets is illustrated as follows:

	twelve months ended 31 March	
	2011 (%)	2010 (%)
Asia (including Japan, Korea, Vietnam, etc.)	31	21
Europe	27	37
America	26	30
Africa	6	6
Middle East	5	5
Australia and New Zealand	5	1
	100	100

(3) Selling and Distribution Expenses

The Group's selling and distribution ("S&D") expenses consisted of brand promotion and marketing expenses, sales and marketing related salaries, repairs and maintenance and transportation expenses. For the Reporting Year, S&D expenses dropped 3.8% or HK$114 million from last year to HK$2,854 million. The ratio of S&D expense to turnover reduced 1.3 percentage points from 13.0% to 11.7%.

During the year, the Group has adopted stringent cost controls, especially on human resources and transportation costs, by adjusting salesmen's bonus computation and optimizing supply chains. In addition, the Group endeavored to continuously improve the quality of products, constraining warranty and maintenance costs to enhance brand and Group's reputation to maximize stakeholder interests in the long run.

(4) General and Administration Expenses

The Group's general and administrative ("G&A") expenses for the Reporting Year rose by HK$16 million or 2.4% to HK$696 million. The G&A expenses to turnover ratio for the year have decreased slightly by 0.1 percentage points to 2.9%.

To cope with a series of policies launched by the Chinese government and improvement in product quality and features, the Group had devoted more resources in research and development ("R&D") during the Reporting Year, caused an increase of HK$27 million or 27.6% in R&D expenses and increase of HK$17 million or 70.8% in technical consultancy fees. Other expenses did not change significantly, compared with that of last year.

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

(5) Inventory Control

The net carrying value of the Group's inventories reached HK$2,657million (Year 2010: HK$3,298 million) as at the Reporting Year ended, representing a decrease of HK$641 million or 19.4% from that as at 31 March 2010.

The market expected significant LCD TV sales growth in mainland China that caused the Group to realign raw material reserves. However, with the effect of shortening TV product cycle, which in consequence a high inventory level at the beginning of the financial year. Facing the slowdown in demand for LCD TVs, an inclining foreign brands penetration and an intensifying competition of domestic brands, the Group had taken a series of measures, such as price reduction, effective inventory control, logistics and supply-chain management etc to reduce the inventory level especially in the first half of the Reporting Year. Eventually inventory was maintained in an acceptable level, but inventory turnover days were still longer than last year.

In order to stringent inventory control over logistics and supply-chain management, and remain vigilant to the risk of slow-moving and obsolete inventories, the following courses of actions were adhered:

- **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; and

- **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 the business units and the Group as a whole.

At the end of the Reporting Year, the inventory turnover days for raw materials and finished goods were 22 days and 32 days (Year 2010: 17 days and 27 days), respectively. The inventory turnover was although lengthen in comparison to 2010, but it improved since first half of the year (23 days and 36 days respectively), reflecting the effectiveness on inventory control and speeding up to the products transformation.

(6) Trade Receivables and Bills Receivable

At the ended of the Reporting Year, the Group had a total of HK$9,302 million (Year 2010: HK$8,522 million) trade receivables and bills receivable. Comparing to the year ended at 31 March 2010, the two receivables increased by HK$780 million, or 9.2%. Trade receivables increased by HK$467 million or 29.5% to HK$2,051 million, whilst bills receivable also increased by HK$313 million or 4.5% to HK$7,251 million.

Due to the rising demand for the digital set-top boxes, the sales and the trade receivables in digital set-top boxes business unit were higher than that of Previous Year. The cable operators under national, provincial and municipal broadcasters as being the major customers, both long repayment terms and large scale of sales volume during the year was consistent with the growth ratio in trade and bills receivables. The business unit had implemented a measurement to customer's creditability to determine their credit limit and period, and established systematic procedure to track customers' overdue. Furthermore, the business unit plans to finance through long aged accounts receivable conversion with the financial institutions.

(7) Trade Payables and Bills Payable

At the end of the Reporting Year, the Group's trade payables amounted to HK$2,615 million (Year 2010: HK$3,046 million), dropped by HK$431 million; bills payable accounted for HK$917 million (Year 2010: HK$586 million) which increased by HK$331 million.

For the Reporting Year, the Group had undergone a series of settlement procedures and system optimization, enhanced monitoring and controls by improving information system accuracy and payment timeliness to uplift the Group's overall credibility.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a stable financial position. At the end of the Reporting Year, the Group's net current assets amounted to HK$6,012 million (Year 2010: HK$4,268 million) which increased by HK$1,744 million or 40.9%. Bank balances and cash amounted to HK$2,524 million (Year 2010: HK$2,191 million), representing an increase of HK$333 million, compared with that at 31 March 2010; whilst the pledged bank deposits amounted to HK$558 million at 31 March 2011, representing a decrease of HK$1,836 million from that at 31 March 2010. The significant decrease in pledged bank deposits was mainly due to the maturity of foreign currency forward contracts with financial institutions as disclosed in note 33 of the annual financial report.

To maintain adequate liquidity for operation, the Group facilitated various means of trade finance from banks. At the end of the Reporting Year, the balance of the discounted bills receivable with recourse amounted to HK$693 million (Year 2010: HK$3,428 million), representing a decrease of HK$2,735 million or 79.8% when compared with that at 31 March 2010. Such discounted bills receivable with recourse would be released upon maturity.

The Group secured certain assets against its trade facilities and loans granted from various banks. Such secured assets included HK$558 million bank deposits and HK$36 million structured bank deposits, as well as certain prepaid lease payments on land use rights, leasehold land and properties in mainland China and Hong Kong with net book value of HK$179 million (at 31 March 2010: HK$218 million) as at the end of the Reporting Year.

The Group adopted principle of prudence and remained financially sounded. At the end of the Reporting Year, total bank loans amounted to HK$4,355 million which included discounted bills receivable with recourse and foreign currency forward contracts for HK$693 million and 50 million, respectively. Equity attributable to owners of the Company amounted to HK$7,074 million (Year 2010: HK$5,773 million); debt to equity ratio was 51.1% (Year 2010: 16.8%) which excluded portion of the bank loans arising from discounted bills receivable with recourse and foreign currency forward contracts. Other key financial ratios are included in Financial Highlights of the annual financial report.

During the Reporting Year, the Group changed its funding strategies to utilise more low interest US dollar bank loans than high cost bill discounting to finance its working capital.

TREASURY POLICY

With investments mainly situated in 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 required to carry out general trade financing to fulfill operation cash flow needs. In order to reduce the finance costs, the Group increased the utilizations 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$97 million (Year 2010: HK$29 million) net foreign exchange gains due from US dollars loans associated with foreign currency forward contracts and general operation with reference to mild RMB fluctuations.

The management reviewed the fluctuation of foreign currency and interest rate from time to time to determine the need on hedging actions appropriating to both foreign currency and interest movements, and the optimistic view of anticipating RMB appreciation in the long run. During the Reporting Year, the Group engaged into several arrangements with certain banks, such as foreign currency forward contracts, target redemption forward contracts, equity linked structured contract with guaranteed return and cross-currency interest rate swaps contract of which the purpose is to manage the Group's foreign currency exposure in relation to its payables arising from time to time denominated partly in US dollar. For details of the arrangements, please refer to note 29 of the annual financial report.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the Reporting Year, certain investment properties with net carrying value of HK$37 million was transferred from investment properties to property, plant and equipment in accordance with Hong Kong accounting standards. For the Reporting Year, an addition of HK$254 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$221 million on machinery in production line setups and other equipments; and has planned to commit HK$133 million on plant, logistic centres and machinery procurement, aiming to cater for future business needs, productivity and logistic efficiency enhancements.

During the Reporting Year, the Group formally entered into the washing machine and refrigerator market. On 8 June 2011, the Group entered into cooperation agreements with the Management Committee of the Lishui Economic Development Zone. Pursuant to the agreements, the Group shall invest RMB400 million (equivalent to approximately HK$480 million) over the next 2 to 3 years to increase the Group's production of refrigerators and washing machines in Lishui, Nanjing and RMB2,100 million (equivalent to approximately HK$2,520 million) into the production of LCD TVs and other electronic products in the Lishui Economic Development Zone by building a new production plant and production line.

Resource integration is one crucial strategy to target good qualities for product elements. The Group invested HK$26.10 million in technological research and development through direct investments or available-for-sale investments in industries related to TV and digital set-top boxes businesses, to constitute supports for more integrated TV and digital set-top boxes products development.

CONTINGENT LIABILITIES

The Group held no material contingent liabilities during the Reporting Year. The details of certain patent disputes are disclosed in note 47 to the condensed consolidated financial statements in the annual financial report.

HUMAN RESOURCES CAPITAL

At 31 March 2011, the Group had over 23,300 (Year 2010: 22,000) employees in China (Hong Kong and Macau inclusive), including sales personnel situated throughout 42 branches and 188 sales offices. The Group gives high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive scheme, in motivation and recognition of staffs with outstanding contributions and performance. The Group values and allocates substantial resources for staff development, focusing on pre-employment and on-job trainings, providing punctual commentaries on latest industry trends, policies and guidelines to improve the quality of human capital.

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

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 million sets TV sales volume for the Upcoming Year, 7 million sets in the mainland China market and 2 million sets in the overseas markets respectively. The mainland China TV sales target consists of 3 million LCD TV with cold cathode fluorescent lamp ("CCFL") backlight and 4 million LED LCD TV (including 1.5 million 3D LED LCD TV).

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 2011 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.

APPOINTMENT OF AN EXECUTIVE DIRECTOR ("ED") AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR ("INED")

During the Reporting Year, the Board appointed an ED and an INED. Mr. Lu Rongchang ("Mr. Lu") was appointed as an ED on 21 June 2010. Mr. Lu joined the Group as an executive vice president of China TV business unit and the head of Research Institute in 2006. Mr. Lu has extensive experience and solid technical background in the electronics industry and has achieved many national and provincial honours. Ms. Chan Wai Kay, Katherine ("Ms. Chan") was appointed as an INED of the Company on 27 July 2010. Ms. Chan has over 20 years work experience in financial services industry and holds various key positions in listed companies. Ms. Chan has profound practicing knowledge in company's strategic planning and corporate management of listed companies. It is believed that the two new members will definitely bring new visions to 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 currently comprises of three INEDs. The chairman of the Audit Committee is Mr. So Hon Cheung, Stephen and the other members are Mr. Li Weibin and Ms. Chan Wai Kay, Katherine.

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: http://investor.skyworth.com/index.asp.

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 2011.

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 2011 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 2011 of HK9 cents per ordinary share (2010: HK8 cents), totaling approximately HK$233 million (2010: HK$202 million) to shareholders whose names appear on the register of members of the Company at the close of business on 16 September 2011 (Friday). 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 19 September 2011 (Monday) to 23 September 2011 (Friday) 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 October 2011, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-16 Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 16 September 2011 (Friday).

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, 29 June 2011

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

** For identification purpose only*