

Chairman's Statement



2005/06 Year at a Glance

- Profit before taxation was HK\$255 million, an increase of 4.1%
- Gross profit margin increased from 15.1% to 18.7%
- Proposed a final cash dividend of HK2.8 cents
- Net assets over HK\$3 billion



Chairman's Statement



Mr. Wang Dianfu

A YEAR OF PROGRESS AND CHALLENGES ON MANY FRONTS

Indeed, Skyworth has experienced a year of progress on many fronts: its business performance, financial position and the Board have all developed healthily this year. The Group has good results, improved financial performance, strong cash position, and enhanced competitive position, all contribute to the growth in value for shareholders in the years ahead. Our strong commitment in focusing on profitability create return of HK\$216 million to our shareholders.

Each of our business units has used their best endeavor to improve their competitive positions, by combination of launching innovative products, implementing cost reduction programs and/or capturing higher margin markets, in the year. These challenges posed additional motivation to the business unit heads.

Our mobile phone business unit has definitely been following the business strategy to launch more innovative and fashionable products in the PRC domestic market for expanding Skyworth's PRC mobile phone market.

Our strategy of developing the business internationally has progressed well during the year. This is a very good process for the Group to achieve its mission to go global.

A profit after taxation of HK\$216 million for the year ended 31 March 2006 represents a 7% return on the shareholders' funds of HK\$3,088 million as at 31 March 2006. It would be considered as one of the best performers amongst the TV industry pioneers.

The Board is recommending a final dividend of HK2.8 cents per share, together with the interim dividend of HK1 cent per share, making a total dividend of HK3.8 cents per share, represented a dividend payout ratio of 40%.

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In my interim report to you, I noted that the appointment of Mr. Zhang Xuebin as Chief Executive Officer in June 2005 was widely welcomed and that Xuebin had made a number of organisational changes in December 2005. Especially, with the appointment of Mr. Yang Dongwen in September 2005 as the President of the TV business unit, Xuebin played a vital role to improve the work flow, strengthen the control process and reduce the cost of production in the business unit, etc. These changes have positioned the business for growth, enhancing the linkage between our business units, establishing a corporate culture for Skyworth and ensuring that Skyworth continues to attract, retain and develop the best talent to serve.

I was also delighted to welcome Lu Rong Chang as our new Chief Technology Officer of the Group who joined us in May 2006. He brings a wealth of experience from the TV industry and has substantial experience in other electronic businesses. Rong Chang brings in extensive knowledge of new technologies as well as insights gained from his services with a forerunner of PRC TV manufacturers. We, therefore, are confident that our research and development team will further lead the growth of the Group.

As ever, the macroeconomic prospects are complicated by global imbalances and shifts in the pattern of growth. Skyworth is, however, well placed to take advantage of these and continues to exploit its network in the US, Asia Pacific and Europe. This will be one of the major focuses of the Group for the next year.

Meanwhile, the corporate reorganisation for the overseas division posed a position to grow steadily. Our corporate strategy to reorganise the businesses, including the combination of some business units, will rejuvenate the corporate businesses and create synergy within the Group.

Skyworth is committed to high corporate governance standards. The Group has implemented a series of measures to improve its corporate governance, including the set up of the Risk Management Department. We are sure that our professional business managers would follow the governance policies and procedures to safeguard the assets of the Group and maintain a high standard in code of business ethics.





Chairman's Statement

A year of such good progress at Skyworth is the result of a team effort. I would like to pay tribute to three groups of people in particular. First, our domestic TV business teams who have worked hard with skill and determination to deliver these results. Second, the managers of our management team, who are the ultimate drivers of Skyworth's value, and third, the stakeholders, including our shareholders and all walks of people who work with Skyworth around the world to find, and grow businesses with us.



Wang Dianfu

Executive Chairman

24 July 2006