SKYWORTH

創維集團有限公司
SKYWORTH GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 00751.HK

Annual Report 2021

SKYWORTH 創維

CONTENTS

Financial Highlights

Amount expressed in RMB million (except for Share data and items specifically stated)

	For the year ended 31 December 2021	For the year ended 31 December 2020	Change
OPERATING RESULTS			
Revenue	**50,928**	40,093	+27.0%
EBIT	**3,013**	2,620	+15.0%
EBITDA	**3,634**	3,264	+11.3%
Net profit for the year	**1,965**	1,835	+7.1%
Profit attributable to owners of the Company	**1,634**	1,440	+13.5%
FINANCIAL POSITION			
Net cash from operating activities	**1,244**	3,137	-60.3%
Cash position*	**12,739**	9,841	+29.4%
Borrowings	**14,262**	11,387	+25.2%
Convertible bonds (inclusive of interest)	**962**	917	+4.9%
Corporate bonds (inclusive of interest)	**921**	920	+0.1%
Equity attributable to owners of the Company	**18,045**	16,310	+10.6%
Working capital****	**13,725**	11,401	+20.4%
Bills receivables	**2,996**	4,489	-33.3%
Trade receivables	**9,146**	9,162	-0.2%
Inventories	**7,791**	6,004	+29.8%
KEY RATIOS			
Gross profit margin (%)	**16.8**	17.9	-1.1pp
EBIT margin (%)	**5.9**	6.5	-0.6pp
EBITDA margin (%)	**7.1**	8.1	-1.0pp
Profit margin (%)	**3.9**	4.6	-0.7pp
ROE (%)	**9.5**	8.9	+0.6pp
Debt to equity (%)**	**76.6**	69.6	+7.0pp
Current ratio (times)	**1.4**	1.4	No change
Trade receivables turnover period (days)***	**92**	127	-27.6%
Inventories turnover period (days) ***	**64**	64	No change
DATA PER SHARE			
Earnings per Share – Basic (RMB cents)	**62.11**	49.23	+26.2%
Earnings per Share – Diluted (RMB cents)	**62.03**	44.46	+39.5%
Dividend per Share (HK cents)	**23.0**	–	N/A
Book value per Share (RMB cents)	**790.63**	711.81	+11.1%
SHARE INFORMATION AT FINANCIAL YEAR END			
Skyworth Group Limited (shares are listed in Hong Kong, stock code: 00751)			
Number of Shares in issue (million)	**2,667**	2,668	-0.0%
Market capitalisation (HK$ million)	**14,562**	5,763	+152.7%
Skyworth Digital Co., Ltd. (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,063**	1,063	No change
Market capitalisation (RMB million)	**10,471**	8,496	+23.2%

* Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash
** (Borrowings + corporate bonds + convertible bonds)/total equity
*** Calculation based on average inventory; average sum of bills receivables and trade receivables
**** Excluding assets and liabilities associated with assets classified as held for sale

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear shareholders, partners and other stakeholders,

ACHIEVE IMPROVEMENT FROM THE EXPERIENCE, ACCELERATE DEVELOPMENT AMID TRANSFORMATION

In 2021, the business environment was full of challenges due to the spread of COVID-19 and turbulent global political situation. In this year, all employees of the Group worked together and remained focused on the core task of "Year of Efficiency Improvement". We overcame the obstacles and difficulties, continued to promote technology innovation and constantly deepened the enterprise reform. Progress has been achieved in our industrial transformation, operating efficiency has been significantly improved, and economic benefits has been taken forward to the next level. We have attained outstanding results, although it was won in a hard way.

I. HIGHLIGHTS OF SKYWORTH GROUP'S OPERATION IN 2021

(I) The Digital Company continued to drive the development of home access business and accelerated the transformation of new business. In 2021, 15 million optical access devices were sold, while products like Wi-Fi 6 routers, automotive electronic systems and smart city systems were introduced to the market one after another. The annual revenue exceeded RMB10 billion for the first time. Besides, it was named as one of the "Single Champion Demonstration Enterprise in Set-top Box Manufacturing" (機頂盒製造單項冠軍示範企業).

(II) Facing the decline in domestic TV business, the TV Company forged ahead fearlessly and expanded its business. In particular, the overseas team committed to expanding Skyworth branded product business and OEM business to overcome the challenges brought by the COVID-19 pandemic and the surge in sea freight rates, by which it has realised an overseas revenue growth of 12.7% as compared to the previous year.

(III) Focusing on the market demand, the Electronic Appliance Company strengthened its research and development and launched new products to the market. Among them, the American 3-Door refrigerator and smart drum washing machine have won the title of Green Design Product by the Ministry of Industry and Information Technology. In addition, it was also accredited as an Enterprise Technology Center (企業技術中心), Engineering Technology Research Center (工程技術研究中心) and Engineering Research Center (工程研究中心) of Jiangsu Province. In 2021, we ensured the smooth progress of the proposed spin-off and separate listing of the A-shares of Skyworth Electric Co., Ltd.* (創維電器股份有限公司), with the application materials officially accepted by the Shenzhen Stock Exchange.

(IV) In terms of capital operation, the Venture Capital Company seized the investment opportunities in emerging industries such as semiconductors, new materials and new equipment to accelerate the establishment of venture capital funds. A total of 13 venture capital projects have been established in the year, realising the rapid development of the Group's venture capital business. Furthermore, the Finance Company fully utilised its internal financial platform to enhance its financing capacity and secure the supply of capital. The Group's total approved bank credit and loan balance increased steadily throughout 2021. During the year, the Finance Company was also approved by the State Administration of Foreign Exchange as a pilot unit for the "Integrated Foreign and Domestic Currency Capital Pooling Business for Multinational Companies (跨國公司本外幣一體化資金池業務)", which further broadened the Group's financing channels.

(V) The Photovoltaic Company seized the trend of the national "Double Carbon" policy, actively drove the development of distributed photovoltaic business, implemented innovative business models and made overall planning. The total installed capacity of distributed photovoltaic power stations was ranked one of the leading companies in the industry in China, and has been honoured as the Most Potential Developing Enterprise (最具成長力企業) and the Excellent EPC Enterprise (卓越 EPC 企業獎) in the photovoltaic industry at the "OFweek Award 2021".

(VI) In the area of intelligent manufacturing construction and supply chain management, the Group earnestly implemented the dual-wheel driven development strategy of the Group's manufacturing business and industrial park operation, and actively promoted the development of the three major industrial bases in Shenzhen, the Pearl River Delta and the Yangtze River Delta and their supporting communities. In 2021, the Skyworth Overseas Development Tower in Shenzhen was topped-out, the construction work of the main building of Guangzhou TV Base phase I was basically completed, and the construction of Skyworth Chuzhou production base phase II and Huizhou Industrial Park phase I have officially started. During the year, the Group actively constructed the innovation space in the Skyworth Semiconductor Design Building and the Shiyan 5G+8K Industrial Demonstration Park, so as to improve the business environment and enhance the property value. At the same time, the Group actively promoted the integration of its logistics business and completed the consolidation of its warehousing and transportation operations to reduce logistics costs across the board in 2021.

(VII) In terms of technology research and development, the Group strengthened the kickstart of projects and management of research and development, so as to accelerate the technological improvement and product upgrading. In 2021, the Group has newly obtained 1,457 patents, bringing the cumulative number to 11,065. A number of products have also been granted utility model patents, enhancing the competitiveness of our products in the market. During the year, the Digital Company won the title of "National Product Design Center" (國家級產品設計中心) from the Ministry of Industry and Information Technology, while the "Independent Research and Development and Industrialisation of Large-sized OLED Modules" research project of the TV Company was awarded the Shenzhen Municipal Scientific and Technological Progress Award (First Class) (深圳市科技進步一等獎). Two new products of the Skyworth Full-scenario Smart Control System have entered the stage of small batch production, which has promoted the upgrading of all Skyworth products.

In the past year, with the joint efforts of all staff, Skyworth Group has seriously implemented the "1334" development strategy and has made milestones in its transformation and development, ushering in a new period of development for Skyworth's business. In addition, the Group comprehensively strengthened the fundamental management, and actively promoted the construction of informatisation, the reform of salary system, the new appearance design of the entire products, as well as the revision of basic system and safety production. It is proven that it is completely correct for us to adhere to the principles of led by science and technology, and customer-oriented, and insist that talent is the primary productive force, insist on concentrating on major events and giving full play to the spirit of striving. We believe that as long as we continue to unswervingly implement the strategy of accelerating transformation development determined by the Board of the Group, there will be a bright future for Skyworth.

II. FORECAST OF THE SITUATION AHEAD

1. The sluggish growth of China's home appliance market with the profitability further compressed

In 2022, the situation of home appliance industry will be challenging. It is expected that reduction in the price of raw materials will not be seen in the short-term, and the profitability of enterprises will be further compressed.

2. Stricken by the pandemic, the overseas business development of China's home appliance enterprises is hindered

In 2022, key components such as integrated circuits will remain in short supply due to the impact of the epidemic and the monopoly of western countries, which will continue to challenge the supply chain capacity of the enterprises. The shipping capacity will be limited, and hence the cost will remain high.

3. As the "Double Carbon" policy continues, the development of new energy business is gradually entering the fast lane

With China fully implementing the new development concept and committed to achieving peak carbon emissions target and carbon neutrality, it is expected that the installed capacity of new energy storage will reach more than 30 million kW in 2025. The new energy industry will be a new driving force for economic growth during the "14th Five-Year Plan" period, bringing opportunities for the sustainable growth of new energy business.

4. Home appliance market to be expanded by the continuous spring-up and wide application of emerging technologies

In recent years, with the continuous spring-up and wide application of new technologies such as smart connection, smart interaction, big data, cloud computing, metaverse, AR and VR, it has further accelerated the development of new smart home appliances, promoted the upgrading of home appliance consumer market and advanced the sales growth of home appliance.

III. OPERATIONAL TARGETS AND PRIORITIES OF SKYWORTH GROUP IN 2022

The Board of the Group proposed that it is the "Year of Accelerating Transformation and Development" in 2022. The Group shall firmly focus on the development goal of the new three years (the Group's operating revenue shall reach RMB100 billion by 2024), actively promote the implementation of the three strategies of smartisation, internationalisation and refinement, continue to expand the five major businesses of multimedia, smart systems technology, smart appliances, new energy and modern services. We shall adhere to planning guidance, scientific and technological innovation, deepen reform, improve efficiency, concentrate on major events and professional development, accelerate industrial transformation and development and fully complete the Group's goals for the year.

Work focus

1. ***Focus on the products R&D and enhance the competitiveness of Skyworth products***

   In 2022, the Group shall focus on the flagship products to be launched and comprehensively strengthen the research and development of new products. First, we shall carefully study the needs of users and focus on market-oriented product planning and positioning. Second, we shall comprehend the product strategies of our competitors, work on launching new products with advantages in technology, quality and price, so as to improve our products' competitiveness. Third, we shall make good use of new technologies, new technical processes, new materials and the latest scientific and technological achievements to continuously improve the performance, functions and reputation of the products. Fourth, we shall apply the Skyworth smart control system technology to realise the full scene interconnection and smart interaction between people and products, and products and products.

2. ***Focus on marketing management to expand both domestic and overseas markets***

   First, based on the domestic market, we shall deepen the cooperation with the existing sales channel providers and speed up the layout of the new marketing network to promote the construction of stores for all products. We shall achieve precise marketing, take the road of differentiated development, constantly improve the market scale and improve the gross profit level of products. Second, we shall actively expand the overseas market. Start with OEM business, we will explore and move forward steadily to develop our own brand business. We shall fearlessly explore to establish base enterprises in Africa, ASEAN, Europe and India, further accumulate Skyworth brand influence, and eventually achieve a major breakthrough in overseas business.

3. ***Focus on reform and revitalisation of TV Company***

   Facing the challenges of Skyworth's declining TV market share, the new executive team of the TV Company is delegated with a mission of revitalising Skyworth's TV business. The new team shall earnestly follow the requirements of the Group and, based on the actual situation, promptly launch and implement the Company's management functions, and the reform plans for the systems including research and development, manufacturing, and domestic and foreign sales.

4. ***Focus on industrial transformation to enhance the Group's sustainability***

   First, to accelerate the development of TV business. Fully unleash the advantages in technology and manufacturing accumulated for years, advance the product upgrading by accelerating the application of new generation of display technologies; promote business transformation by accelerating the development of commercial display business; and implement the internationalisation strategy by accelerating the construction of overseas bases.

   Second, to accelerate the development of venture capital business. Combine the Group's internal and external advantageous resources, focus on the emerging industries such as new materials, new energy and artificial intelligence, speed up the establishment of new investment funds with local financial institutions, strengthen the team construction and improve post investment management ability.

   Third, to accelerate the development of photovoltaic business. Take household distributed photovoltaic business as the foundation, and carefully study the development opportunities of new businesses such as industrial and commercial photovoltaic power stations, energy storage, operation and maintenance, put efforts in the layout of photovoltaic industry chain and form the development advantages of new energy business sector.

   Fourth, to accelerate the development of home optical access service business. Actively promote the iteration of high-performance optical access products, improve the sales of domestic and overseas optical access products.

Fifth, to accelerate the development of automotive electronic business. Constantly improve the research and development capability of automotive electronic system products, and continuously improve sales performance and industry status.

5. ***Focus on base construction to improve Skyworth's smart manufacturing capability***
   In 2022, the Group shall ensure the three major bases which are constructed as schedule. First, to ensure all phase tasks in the Shenzhen Qianhai project and Longgang maker project are completed; second, to ensure that the TV project of Guangzhou Smart Manufacturing Base has put into operation, and the Huizhou Zhongkai Digital Industrial Park phase I is topped-out; third, to accelerate the construction of Chuzhou Smart Manufacturing Base phase II; fourth, to steadily advance the construction of Wuhan miniLED new display project phase I.

6. ***Focus on budget management to reduce expenses and improve capital efficiency***
   In 2022, the Group and all industrial companies shall prepare budgets according to the corporate development strategies and annual key task plans, and focus on the management of assessment fees, collection of accounts receivable, inventory and external investment, to achieve the goal of cost control and cost reduction.

7. ***Focus on human resources management to enhance the establishment of high-calibre talent teams***
   In 2022, the Group will adhere to the concept that talents represent productivity, and actively recruit enterprise leaders and technical leaders through internal selection and open recruitment with flexibility; we will create good conditions for the enterprise talents to develop, so as to effectively improve the research and development ability and development ability of the enterprise.

Skyworth Group has an extremely arduous task in 2022. We have to remain calm in the face of the volatile situation and the challenging external environment. First, we need to carefully study and judge the situation, monitor the changes in the situation, arrange the key works, and ensure that we look before we leap. Second, we will adhere to the leadership of the Board of the Group, concentrate on major events, coordinate every work and further standardise the decision-making system of the Group and industrial companies, so as to improve the organisational efficiency and maximise the overall interests of the Group. Third, we will further standardise the Group's supervision, fully respect the enterprise and trust the employees. Fourth, we will encourage the implementation of the accountability system, strengthen performance appraisal. I believe that as long as we have confidence, ideas and correct methods, we will be able to overcome difficulties and achieve the operation goals in 2022.

IV. APPRECIATION

On behalf of the Board, I would like to offer my heartfelt appreciation to our colleagues, management team for their dedication and effort, which is crucial to our success. My sincere gratitude is further extended to our shareholders, business associates, customers and suppliers for their ongoing support and confidence in the Group. With their dedications, commitments and contributions, another fruitful year has concluded. In the upcoming year, we will continue to work closely to create greater success for the Group and drive higher returns to the shareholders.

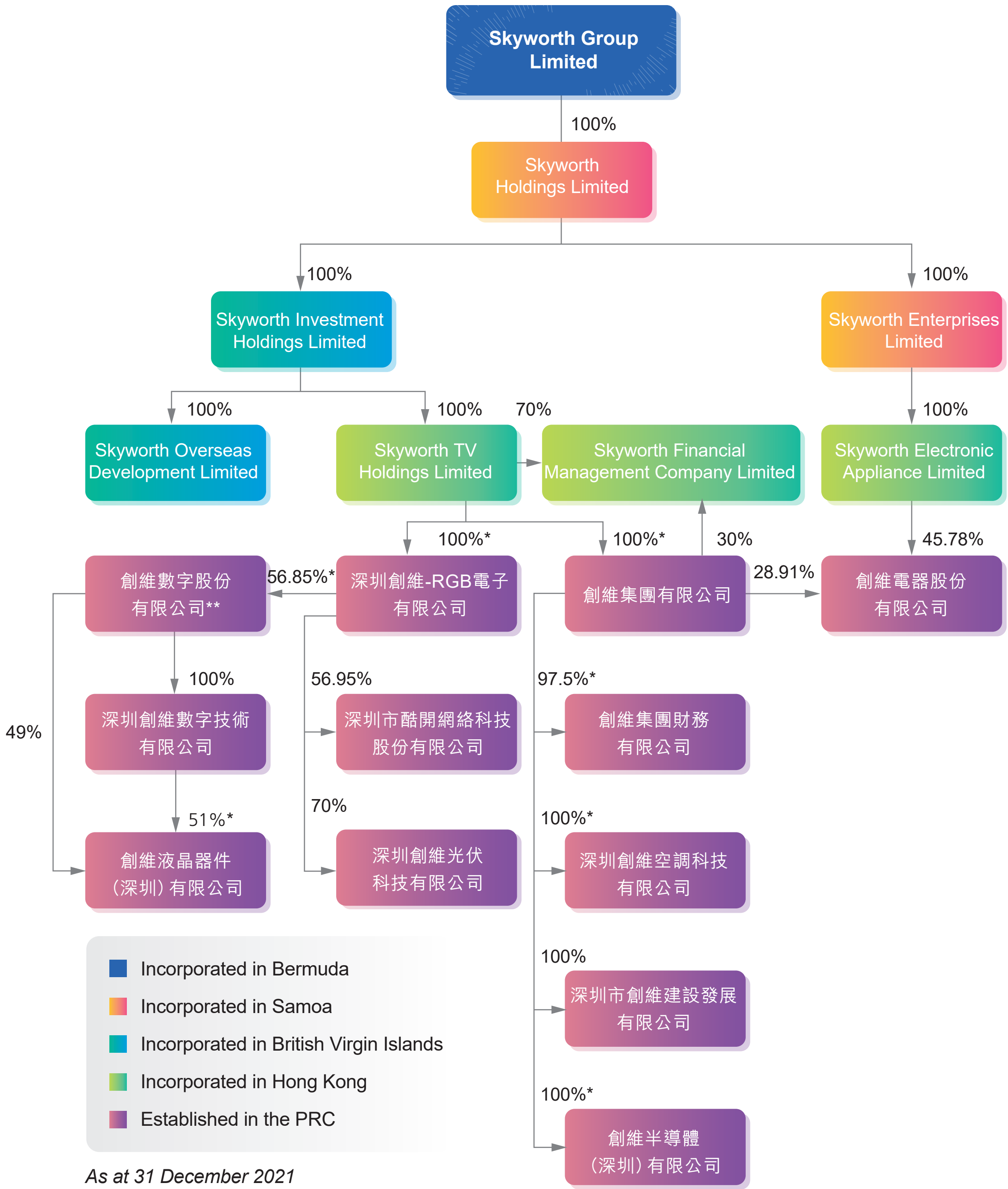
I look forward to reporting to you another fruitful year in 2022.

Yours sincerely,

Lai Weide
Chairman of the Board
22 March 2022

* *For identification purposes only*

Simplified Corporate Structure



As at 31 December 2021

*	*Effective Interest of Skyworth Group Limited (the "Company")*
**	*Shares are listed on Shenzhen Stock Exchange, stock code: 000810.*
	The effective interest held by the Company included 0.01% equity interest held under treasury shares of a subsidiary of the Company

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2021 (the "Reporting Year"), the Group's overall revenue amounted to RMB50,928 million, compared with an overall revenue of RMB40,093 million for the year ended 31 December 2020 (the "Previous Year").

During the Reporting Year, the Coronavirus ("COVID-19") epidemic persisted and the variants such as Delta and Omicron have swept across the world. Affected by sluggish domestic home appliances market and the impacts of the epidemic in overseas markets, our growth has been hindered under such unfavourable environment. The Group has always followed its strategic direction and strived for reform and innovation, so as to overcome difficulties on the way forward. Under the intensified competition among brands, Skyworth adhered to its development philosophy of "leading technology" and "health technology", and prioritised consumers' experience. By focusing on the implementation of the intelligent development strategies, the Group actively promoted the transformation and development from manufacturing to modern services, from hardware to software and from device products to smart systems, as well as keeping on the "5G + AI + Device" technological innovation path, the Group has speeded up the research and development of new products and the adjustments of product structure with new technologies, new processes, new materials and new structure. In 2021, the Group continued to adjust its five-year development plan to further strengthen the integration of its internal resources and improve its asset structure, defined the direction of development and enhance the determination of development. The Group has also strengthened the implementation of its internationalisation strategies to develop overseas business and alleviate the impacts arising from the COVID-19 epidemic. By standardising corporate development with a focus on professional development, the reform and transformation of the Group has been accelerated, resulting in a steady improvement in corporate efficiency with both overall revenue and net profit hitting record highs.

For its smart TV systems business, Skyworth determined to develop its four major businesses, i.e. domestic household business, domestic commercial business, OEM business and overseas OEM/brand business, and leveraged on its advantages as an early mover in the OLED TV market to further strengthen and increase its market share through the introduction of products offering greater value. The Group's multimedia business, smart systems technology business and smart appliances business were hit hard by the outbreak of the COVID-19 in the Previous Year. Despite the impacts from the fluctuation of the epidemic in the Year, global economy has been recovering gradually due to the launch of vaccine and the rise in vaccination rate. The Group recorded an overall revenue of RMB50,928 million, representing an increase of 27.0% compared with the Previous Year. However, as affected by COVID-19, the raw material prices for home appliance enterprises and logistics costs around the world generally rise, causing a decline in corporate profit margins. Thus, the gross profit margin fell by 1.1 percentage points from the Previous Year to 16.8% during the Reporting Year.

For the years ended 31 December 2021 and 2020, the Group's smart TV systems sales volumes by market are as follows:

	Year ended 31 December 2021 ***Unit ('000)***	Year ended 31 December 2020 *Unit ('000)*	Year ended 31 December 2021 vs Year ended 31 December 2020 *Increase/(decrease)*
PRC Market	**6,388**	7,597	(15.9%)
Overseas Markets	**7,589**	9,451	(19.7%)
Total smart TV systems sales volume	**13,977**	17,048	(18.0%)

(a) *Business Review by Geographical Segment*

The Group's operations have been expanded worldwide, including mainland China and other regions in Asia, Africa, Europe and Americas, with mainland China being the primary market.

Mainland China Market

For the year ended 31 December 2021, revenue from the mainland China market amounted to RMB33,220 million, representing an increase of RMB8,637 million or 35.1% compared with RMB24,583 million for the Previous Year.

During the Reporting Year, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 47.9% (the Previous Year: 58.8%), 20.7% (the Previous Year: 21.1%) and 8.7% (the Previous Year: 11.7%) of its revenue from the mainland China market, while modern services business and other operations accounted for 10.4% (the Previous Year: 8.1%) of revenue from the mainland China market and the new energy business accounted for the remaining 12.3% (the Previous Year: 0.3%).

Overseas Markets

For the year ended 31 December 2021, revenue from overseas markets amounted to RMB17,708 million, equivalent to 34.8% of the Group's overall revenue, representing an increase of RMB2,198 million or 14.2% compared with RMB15,510 million recorded in the Previous Year. The Group optimised its sales channels in overseas markets to reduce the negative impact of COVID-19, resulting in a considerable growth in revenue overseas during the Reporting Year.

Geographical Distribution of Revenue in Overseas Markets

The Group's main overseas markets are Asia, Europe, Middle East and Americas. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

	Year ended 31 December	
	2021	2020
	(%)	*(%)*
Asia (excluding Middle East)	**63**	61
Europe	**11**	12
Middle East	**9**	9
Americas	**9**	9
Africa	**7**	8
Oceania	**1**	1
	100	100

For revenue analysis by business sectors concerning the mainland China market and overseas markets, please refer to the section headed "Business Review by Business Sectors".

(b) *Business Review by Business Sectors*

The Group has announced its overall strategic direction for upgrading through reformation for the next five years, including: 1. Multimedia Business, 2. Smart Systems Technology Business, 3. Smart Appliances Business, 4. New Energy Business and 5. Modern Services Business.

1. Multimedia Business

The Group's multimedia business primarily covers, among others, smart TV systems and provision of internet value-added services of Coocaa System.

For the year ended 31 December 2021, the Group's multimedia business recorded revenue of RMB27,370 million, representing an increase of RMB2,903 million or 11.9% compared with RMB24,467 million recorded in the Previous Year.

1.1 Smart TV Systems Products (PRC Market)

For the year ended 31 December 2021, the Group's smart TV systems products recorded revenue of RMB12,949 million in the mainland China market, representing an increase of RMB726 million or 5.9% compared with RMB12,223 million recorded in the Previous Year.

During the Reporting Year, the Group established its "5G + AI + Device" technology development strategy to seize new opportunities of traditional home appliances brought by new technology, with focuses on consumers' experience and product enhancement to create sustainable competitiveness for the future. The material initiatives included the introduction of flicker-free backlit display technology to protect users' eyes and the use of environmental-friendly and high-colour gamut optical display materials to continuously strengthen its brand concept of health technology. The new technology used in Mini-LED products provided perfect picture quality with ultra-high contrast for users while its unique backlighting system could save energy by approximately 25%. Such technologies reflected the Group's conduct and responsibility regarding carbon neutrality. The development and application of ultra-wideband antennas has improved the stability of Wi-Fi connections by over 30%. Combined with high-performance Wi-Fi 6 modules and screen mirroring shortcut, the Group managed to provide smoother viewing and screen mirroring experience. In 2021, the Group launched 8K OLED TV W92, OLED TV W82, the world's first model with adjustable curvature, and Q41Pro series of TVs featuring ultra-high definition full screen with optical and blue light filter functions, as well as the first OLED gaming monitor G90. As the flagship product with cutting-edge technology of the year, W92 was equipped with 8K 120Hz OLED panel, Skyworth AI Picture Quality Engine and Skyworth 30+ Picture Quality Tuning TM and 3D LUT technology, allowing users to enjoy a cinema-level visual feast with amazing colour, brightness and contrast. With the Group's Audio Glass Sound technology, W92 ensured an evenly distributed sound field and a stronger sound immersion to deliver a true-to-life sound reproduction. Equipped with innovative bendable screen, rotating base, PTZ camera and the 2.1 built-in super bass, W82 created the most realistic visual experience of electric games and 3D movies. In addition to its young and energetic outlook, Q41Pro series was equipped with the new AI SR super resolution technology, featuring flicker-free and blue light filter functions to protect users' eyes. Thanks to 4K 120Hz OLED panel and 3D LUT technology, a professional colour grading technology used in the film industry, G90 delivered outstanding performance for dark field and ultra-high contrast.

During the Reporting Year, the Group adjusted its sales strategy and shifted its focus to high-end TV products such as OLED TV in response to the sluggish growth in the PRC market. Although the Group's sales volume in the PRC market dropped by 15.9% year-on-year, the increase in sales of high-end TV products such as OLED TV led to an increase in the average unit price, resulting in an increase in sales revenue. As a response to the impact of the pandemic and fierce market competition, the Group will continue to make corresponding changes to its sales strategy and adjust the unit rates to increase its market share.

1.2 Smart TV Systems Products (Overseas Markets)

For the year ended 31 December 2021, the Group's smart TV systems products recorded revenue of RMB9,616 million in overseas markets, representing an increase of RMB1,314 million or 15.8% compared with RMB8,302 million recorded in the Previous Year.

During the Reporting Year, the COVID-19 epidemic persisted and most overseas countries suffered from the variants such as Delta and Omicron. In the face of certain unfavourable factors such as the sharp rise in panel and sea freight prices and the serious cargo transportation disruptions, the Group adopted relatively stable and prudent sales strategies and optimised its customers and sales channels in different countries, resulting in a continuous growth in the international TV market. During the Year, the Group strengthened the promotion of high-end products such as OLED products and large screen TVs which were quickly recognised by the market. At the same time, the Group's OEM business developed steadily, with the sales in South America, India, Turkey and South Asia posted a significant year-on-year growth. Benefited from the expansion of e-commerce, the Group's overseas online business recorded considerable growth, thereby mitigating the negative impacts of the ongoing epidemic on offline businesses.

By sponsoring the famous Italian football club Juventus and the AFF Championship, Skyworth's brand awareness and image were enhanced among our customers and consumers, and the Group was able to set foot in core e-commerce channels in Vietnam and Italy. The Group also achieved significant increment of sales volume in both India and Indonesia by improving production efficiency and product quality, and increasing customer confidence.

1.3 Internet Value-added Services of Coocaa System

For the year ended 31 December 2021, the Group recorded a growth of RMB178 million or 16.9% in revenue from the internet value-added services of Coocaa System, which increased to RMB1,234 million from RMB1,056 million in the Previous Year.

As the PRC gradually transits from 4G to 5G for its internet and telecommunication technologies, rapid growths will be observed for internet-based online content services. For the year ended 31 December 2021, the accumulated smart terminals of Coocaa System in the PRC market was over 118 million. The Group's industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.* (北京愛奇藝科技有限公司) ("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited* (百度控股有限公司) ("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司) ("Coocaa Technology", an indirect non-wholly owned subsidiary of the Company).

As a system support carrier for smart terminals, not only has Coocaa Technology promoted the innovation and convergent of large-screen and home internet businesses, it has also assisted our long-term development in the industry of smart human habitat and made a leap-forward enhancement for our operating efficiency. With a team engaged in scaled large-screen internet technical service, Coocaa Technology leverages on the advantages of Coocaa system, including an independent and flexible technical architecture, reliable and secure connection services, accurate data and algorithms, as well as efficient technical application flexibility. By cooperating with strategic partners, with common developed internet-based products designed around user experience, in-depth exploration of statistical value, as well as precise digital marketing capabilities, Coocaa Technology has won industry recognition and wide approval among customers, especially during the epidemic, when Chinese citizens went out less and their time spent in watching TV at home increased significantly, "Otaku economy" drove a continuous growth in revenue from content-based operations. It is our opinion that building on technologies of greater sophistication and reliability, the Group's smart home and smart city businesses will enjoy accelerated development through collaborative projects with strategic partners including internet giants and internet TV service providers.

2. *Smart Systems Technology Business*

Smart systems technology business covers, among others, home access systems, intelligent manufacturing, automotive electronic systems and other electronic products.

For the year ended 31 December 2021, revenue recorded for the Group's smart systems technology business amounted to RMB10,911 million, representing an increase of RMB2,165 million or 24.8% from RMB8,746 million recorded in the Previous Year. In particular, revenue recorded in the mainland China market amounted to RMB6,867 million, representing a significant increase of RMB1,686 million or 32.5% from RMB5,181 million recorded in the Previous Year. Revenue recorded in overseas markets amounted to RMB4,044 million, representing an increase of RMB479 million or 13.4% from RMB3,565 million recorded in the Previous Year.

During the Year, benefited from the Group's well-established system, planning and research and development capabilities, industry chain integration capabilities, supply chain as well as industrialisation capabilities, the Group has overcome a number of challenges such as soaring price of raw material, on-going overseas epidemic, chaotic international logistics and increase in logistics costs, and recorded significant growth in both smart devices and broadband connection businesses. Leveraging on its market share in the smart set-top box market, the Group has achieved a new breakthrough in the sales of set-top boxes to the three major domestic telecommunications operators. Thanks to the rapid development of the domestic gigabit broadband network upgrades, the Group's broadband connection business has achieved remarkable results in the centralised procurement and tender of the three major domestic telecommunications operators. In the Virtual Reality (VR) business, the Group launched cost-effective all-in-one VR device and VR split-type device during the Year.

The Group achieved growth in sales volume of set-top boxes and broadband network connection products in overseas market. The set-top box business recorded substantial growth in overseas markets across the global, including Latin America, the Middle East, India and Europe, while the broadband network connection product business continued to grow steadily in regions such as Southeast Asia, India and Mexico and achieved mass supply, leading to a year-on-year growth in overseas results.

3. *Smart Appliances Business*

Smart appliances business is principally engaged in the research and development, production and sales of smart air conditioners, smart refrigerators, smart washing machines, smart kitchen appliances and tablet computers.

Empowered by smart technologies, the Group is committed to becoming a leading brand of smart home appliances by constantly introducing innovative products according to the needs of consumers and providing all-round smart home experience in multi-scenarios. In 2021, certain products such as the American-style three-door smart refrigerator and the sixth-generation i-DD smart drum washing machine launched by the Group's research and development teams such as Skyworth White Appliances Research Institute* (創維白家電研究院) and Freezer and Washing Machine Technology Center* (冰洗技術中心) have been highly recognised by the market and well received by customers. Capitalising on product research and development, Skyworth Electric Co., Ltd.* (創維電器股份有限公司), an indirect non-wholly owned subsidiary of the Company ("Skyworth Electric"), has been recognised as National High-tech Enterprise (國家高新技術企業), Integration of Informatisation and Industrialisation Standard Enterprise issued by the Ministry of Industry and Information Technology (工信部兩化融合貫標企業), Double Software Certification Enterprise (雙軟企業), Jiangsu Demonstration Intelligent Workshop (江蘇省智能車間示範單位), Nationally Recognised CNAS Laboratory (國家認可的 CNAS 實驗室), Top Ten Washing Machine Exporters in the PRC during the "13th Five-Year Plan" Period (「十三五」中國十大洗衣機出口企業) and Provincial and Municipal Industrial Design Center (省市級工程技術研究中心).

For the year ended 31 December 2021, the Group's revenue recorded for smart appliance products amounted to RMB4,375 million, representing an increase of RMB157 million or 3.7% compared with RMB4,218 million recorded in the Previous Year. In particular, revenue recorded in the mainland China market amounted to RMB2,893 million, representing an increase of RMB25 million or 0.9% compared with RMB2,868 million recorded in the Previous Year. Revenue in overseas markets amounted to RMB1,482 million, representing an increase of RMB132 million or 9.8% compared with RMB1,350 million recorded in the Previous Year.

Due to the rapid growth of Skyworth Electric's own brand and its ODM business in recent years, in order to remove business capacity constraints, step up the research and development of smart products, improve the intelligence and high-end level of products as well as enhance product competitiveness, Skyworth Electric submitted the application for the proposed separate listing on the Shenzhen Stock Exchange ("SZSE") during the Year and received the notice of acceptance of such listing application at the end of the Year. The proceeds from the listing on the SZSE will strongly support Skyworth Electric to continue its steady development of smart home appliances in the future. The proceeds will be used for the production of popular products such as commercial freezers, multi-door refrigerators, clothes dryers and Gemini washing machines. An advanced research and development centre will be also constructed in the industrial park in Nanjing, further strengthening the research and development capabilities of Skyworth Electric.

Leveraging on its core patented technologies such as air-cooled dual frequency conversion technology, highly versatile side-by-side refrigerator platform and i-health smart control system which have been highly recognised by the market, Skyworth Electric has further developed its online and offline sales channels to increase its market share and enhance the brand value of Skyworth Electric in the smart home appliances market.

In addition, since the air-conditioning production base was officially relocated to Chuzhou at the end of 2020, the Group continued to step up the i-DD technology upgrade and the research and development of key technologies such as new-generation smart air-conditioning to improve the quality and competitiveness of its air-conditioning products. The Group is committed to securing large orders and enhancing its profitability with the diversified supply chains in the Yangtze River Delta region, and therefore implement the Group's plan to build a production base and headquarters in the Yangtze River Delta region.

During the Reporting Year, the Group's operating performance of smart appliances business was affected by the COVID-19 pandemic. However, with COVID-19 vaccination rates gradually reaching satisfactory levels in various countries, we expect the global economy and the operating performance of the smart appliance business to improve significantly. The Group will continue to develop new products, strengthen channel operations and achieve large-scale manufacturing with excellent operational capabilities, so as to continue to grow its business scale.

4. *New Energy Business*

For the year ended 31 December 2021, revenue recorded for new energy business of the Group amounted to RMB4,101 million, representing a substantial increase of RMB3,997 million or 3,843.3% compared with RMB104 million recorded in the Previous Year.

Due to global climate change, major countries have put forward their own new energy strategies. According to the "13th Five-Year" Plan, the PRC government has set a clear policy on environmental protection and new energy. In the face of such enormous market potentials, the Group has been actively considering entering the clean energy industry. Riding on the general trend of integrated development of modern energy, smart manufacturing and digital technology, the Group started with residential photovoltaic and provided complete solutions for power station development, design, construction, operation, management and consulting services. Based on the energy Internet of Things, the Group also built a development, construction, operation and management platform for full-process assets of smart clean energy. During the Year, the Group's total installed capacity of distributed photovoltaic power stations catapulted the Group to the top level in the industry. More than 60,000 residential photovoltaic power stations have been put into operation and connected to the power grid. In addition, the Group has cooperated with financial institution to provide finance lease services for the construction of photovoltaic power stations. The Group is devoted to developing itself into a one-stop solution provider from finance, installation to after-sales based on the business model of "Internet + Photovoltaic + People-benefiting Financial Services".

In the future, the Group is committed to the development of comprehensive new energy. It will strengthen its presence in residential photovoltaic market and gradual develop industrial and commercial photovoltaics business, as well as the integrating smart energy management on the consumption side, with a goal to become an industry leader on the Internet of the clean energy industry on the consumption side.

5. *Modern Services Business*

Modern services business covers, among others, maintenance and repair for home appliances, macro-logistics services, international trades, construction development, financial lease and property operation for industrial parks.

For the year ended 31 December 2021, revenue recorded for modern services business amounted to RMB3,932 million, representing an increase of RMB1,452 million or 58.5% compared with RMB2,480 million recorded in the Previous Year. In particular, revenue recorded for the mainland China market amounted to RMB3,382 million, representing a significant increase of RMB1,421 million or 72.5% compared with RMB1,961 million recorded in the Previous Year. Revenue in overseas markets amounted to RMB550 million, representing an increase of RMB31 million or 6.0% compared with RMB519 million recorded in the Previous Year.

During the Year, the Group has been focusing on investing resources to integrate various segments under modern services business with an aim to strengthen the supply chain management and facilitate the strategic cooperation with major suppliers to provide diversified services to customers. In view of this, in 2021, the Group continued to optimise different segments under modern services business and establish dedicated teams for its modern services business such as financial services, macro-logistics services, supply chain operation, foreign trades, as well as park-based property management and construction development.

In terms of capital operation, the Group continued to stablish a financial business platform with financial companies as the main body and supplemented by venture capital and small loans. Thanks to the "integrated foreign and domestic currency capital pools for multinational companies (跨國公司本外幣一體化資金池)" approved by the State Administration of Foreign Exchange, the Group also broadened its financing channels. The venture capital industry has also successively searched for excellent projects in the semiconductor, new materials and new equipment sectors closely related to the Group's business, achieving a win-win situation. Based on the development plan of the macro-logistics services industry, the logistics companies have completed the integration of the Group's material warehouse, factory warehouse and leased warehouse business across the country during the Year. With all-round supply chain logistics, factory logistics, sales and after-sales logistics, the logistics costs among various entities within the Group have been reduced, thereby increasing the external revenue.

By creating innovation spaces in the science and technology parks, seizing construction opportunities of industrial bases, integrating Skyworth's smart human habitat in property management, including green buildings, smart control systems and devices, as well as offering a variety of content services, the Group managed to address the problem of insufficient room for revenue growth in traditional property management business.

By fully utilising the strengths of its core operations, the Group is constantly incorporating innovation into its development model and accelerating new business integration and expansion. The Group has created favourable conditions and settings for future reform and development, which provides strong support for scientific research, investment, production, procurement and construction across the Skyworth Group.

Gross profit margin

For the year ended 31 December 2021, the overall gross profit margin of the Group was 16.8%, representing a decrease of 1.1 percentage points in comparison to 17.9% recorded in the Previous Year.

During the Reporting Year, in order to ensure robust operations across the Group, it continued to refine operations management, adopting multiple integrated methods to increase the gross profit margin of its products and reduce group-wide operating costs. During the Year, due to impact of the epidemic on global supply chain, the prices of upstream materials for smart TV systems products such as glass and IC continued to increase, with some materials climbing by more than 50% in the first half of the year, which lowered the gross profit margin of smart TV system products. Furthermore, the Group's new businesses such as photovoltaic products are in the stage of rapid development, and therefore the gross profit margin is relatively lower than the average level of the Group. Raw materials for other industries, such as copper and IC, have also experienced price increases, affecting the gross profit margin of various smart home appliances. During the Year, the Group adopted various measures to cope with the challenges arising from rising material prices and industry competition, including strengthening its sales price control, increasing the proportion of products with high gross profit margin and increasing its investment in product research and development to improve product quality, thereby enhancing the Group's pricing power and gross profit level.

Expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses amounted to RMB3,981 million, representing an increase of RMB504 million or 14.5% compared with RMB3,477 million for the Previous Year. The selling and distribution expenses to revenue ratio for the year ended 31 December 2021 was 7.8%, which decreased by 0.9 percentage points from 8.7% recorded in the Previous Year.

For the year ended 31 December 2021, the Group's general and administrative expenses amounted to RMB1,479 million, representing an increase of RMB64 million or 4.5% compared with RMB1,415 million for the Previous Year. The general and administrative expenses to revenue ratio for the year ended 31 December 2021 was 2.9%, which decreased by 0.6 percentage points from 3.5% recorded in the Previous Year.

Since the Group continued to devote enormous resources to the research and development of premium smart products to improve its corporate competitiveness during the Year, a corresponding increase was recorded in research and development expenses. For the year ended 31 December 2021, the Group's research and development expenses amounted to RMB2,097 million, representing an increase of RMB232 million or 12.4% compared with RMB1,865 million for the Previous Year. The research and development expenses to revenue ratio for the year ended 31 December 2021 was 4.1%, which decreased by 0.6 percentage points from 4.7% recorded in the Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2021, net current assets amounted to RMB13,725 million, representing an increase of RMB2,208 million or 19.2% when compared with RMB11,517 million as at 31 December 2020. As at 31 December 2021, bank balances and cash amounted to RMB10,611 million, representing an increase of RMB2,397 million or 29.2% when compared with RMB8,214 million as at 31 December 2020. As at 31 December 2021, pledged and restricted bank deposits amounted to RMB2,128 million, representing an increase of RMB501 million or 30.8% when compared with RMB1,627 million as at 31 December 2020.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2021, such secured and restricted assets included bank deposits of RMB2,128 million (as at 31 December 2020: RMB1,627 million), trade receivables of RMB10 million (as at 31 December 2020: RMB17 million), bills receivables of RMB66 million (as at 31 December 2020: RMB720 million), investment properties of RMB1,198 million (as at 31 December 2020: RMB1,263 million), stock of properties of RMB102 million (as at 31 December 2020: nil) as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with an aggregate net book value of RMB2,774 million (as at 31 December 2020: RMB2,530 million).

As at 31 December 2021, total bank loans amounted to RMB14,262 million (as at 31 December 2020: RMB11,387 million), corporate bonds (inclusive of interest) amounted to RMB921 million (as at 31 December 2020: RMB920 million) and convertible bonds (inclusive of interest) amounted to RMB962 million (as at 31 December 2020: RMB917 million). Overall interest-bearing liabilities of the Group were RMB16,145 million (as at 31 December 2020: RMB13,224 million), equity attributable to owners of the Company amounted to RMB18,045 million (as at 31 December 2020: RMB16,310 million). The debt to equity ratio revealed as 76.6% (as at 31 December 2020: 69.6%).

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in Hong Kong dollars, US dollars and Euros. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. The management of the Group regularly reviews changes in foreign exchange rates and its interest rate exposures, in order to determine the need for foreign exchange hedging. However, In the face of certain uncertainties including the outbreak of the COVID-19 epidemics, the spread of Omicron variant in various countries, the continued tension in international relations, the increasing uncertainty of the global economic recovery and the unstable trend in U.S. interest rates, it was difficult to predict the exchange rate trend. For the year ended 31 December 2021, the Group recorded a net exchange loss of RMB51 million (year ended 31 December 2020: gain of RMB73 million) associated with general operation.

In addition, the Group still held the following investments during the Reporting Year:

(a) Unlisted equity securities

As at 31 December 2021, the Group held investments in 40 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB2,292.4 million, of which RMB1,468 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories.

(b) Listed equity securities

As of 31 December 2021, the Group held investments in nine listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 31 December 2021	Value of investment as of 31 December 2021 *(RMB million)*	Value of investment as of 31 December 2020 *(RMB million)*	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	3.39%	–	–	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.66%	122.9	128.2	The Stock Exchange of Hong Kong Limited	Financial services
Jiangsu Broadcasting Cable Information Network Corporation Limited	0.00%	0.4	132.4	Shanghai Stock Exchange	TV channels, broadband, data services
Amlogic (Shanghai) Co., Ltd.	0.08%	44.0	126.5	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Linklogis Inc.	0.36%	49.7	42.8 (note: not listed in 2020)	The Stock Exchange of Hong Kong Limited	Supply Chain Fintech Solutions Services
Anhui Coreach Technology Co., Ltd.	1.21%	50.5	50.0	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services
Puya Semiconductor (Shanghai) Co., Ltd.	2.97%	340.1	55.7 (note: not listed in 2020)	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Guizhou Zhenhua E-chem Inc.	0.33%	64.0	10.3 (note: not listed in 2020)	Shanghai Stock Exchange	Research and development, design, production and sales of lithium-ion battery cathode materials
Shanghai Anlogic Infotech Co., Ltd.	2.91%	697.2	33.1 (note: not listed in 2020)	Shanghai Stock Exchange	Research, design, development and manufacture of chips

In order to give full play to the advantages of the Group's products from the smart systems technology business and innovative content services, Skyworth Group opted to invest in business partners in relation to building a smart-home platform in a prudent manner, aiming to create a new ecosystem for its smart human habitat business. Building on scenarios related to smart household services, Coocaa Technology will explore the feasibility of expanding operation scale for the smart human habitat business. Through strategic partnerships with financial institutions, coupled with the know-how of Coocaa Technology in providing customised and targeted smart-home content services, the Group planned to tap into the business sector of financial technology services, aiming to build a high-tech smart household service platform that covers the three key areas of home entertainment, consumer and financial services. Since Coocaa Technology also proposed to improve experience for home users and enhance service capacity of their own OTT platforms through in-depth cooperation with financial institutions in mobile payment, Skyworth Group therefore made a medium to long-term investment in Bank of Gansu Co., Ltd.

During the Year, in addition to its existing listed equity securities, the Group held investments in four equity securities newly listed on the Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange or the SZSE and recorded considerable capital appreciation. As medium to long-term investments, these listed or newly listed equity securities are principally engaged in emerging industries such as semiconductors, new materials and new equipment, whose businesses are similar to or has an upstream and downstream relationship with the Group. As such, the Group's judgment on their results coincides with the whole electronic industry, which is one of the main high-tech business sectors being supported by the PRC government, though returns from these investments might still be subject to market uncertainties. The management will take a prudent approach in dealing with these investments on a regular basis and take necessary actions to cope with market changes.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Year, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB1,086 million in construction projects, including the expansion of its production plants in Longgang, Shenzhen, Guangzhou Knowledge City and Qianhai, Shenzhen, and RMB968 million for purchasing machinery and other equipment for production lines and improvement of facilities in former production plants. The Group plans to further invest in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of smart, diversified and internationalised strategy.

CONTINGENT LIABILITIES

There are individual patent disputes which arise in the ordinary course of business of the Group. The Group is in the course of processing these matters. The directors are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

HUMAN RESOURCES CAPITAL

As at 31 December 2021, the Group had around 34,000 employees (as at 31 December 2020: 36,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 27 branches and 212 sales offices. The Group places high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in an effort to motivate and recognise staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the job trainings, providing periodical updates on the latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, and implement information management to optimise the remuneration standards and systems of each business unit, and gradually establishes a long-term centralised mechanism for the selection, training and development of industry leaders. It also sets up a specified department to enhance the professionalism of general staff and the leadership skills of its senior management.

The Group's remuneration policy is determined with reference to individual performance, functions and conditions of human resources market.

OUTLOOK

Since the global outbreak of the COVID-19 epidemic in early 2020, it continued to profoundly impact the global economy in 2021. The Group has made corresponding adjustments to the prevention and control mechanism in response to changes in the epidemic. The Group strictly implemented various prevention and control measures, including strengthening the management of access to the industrial park, setting up a centralised quarantine centre and investing in mask production lines, so as to minimise the impact of the COVID-19 epidemic on the Group's employees and operations.

In order to cope with the tight global supply chain and the downturn in the global home appliances consumption market, Skyworth Group will continue to actively leverage on various emerging technologies including 5G, artificial intelligence, virtual reality, big data and cloud computing to launch new ultra-high definition TVs such as 5G+8K TVs, OLED TVs and mini-LED TVs, i-DD smart washer dryer combos, smart refrigerators, smart air conditioning products and smart kitchen appliances, as well as 5G smart access systems, and smart network devices, office, automobile and other application systems. Based on the Group's new technologies, new processes, new materials and innovative research achievements, the Group is committed to improving its product competitiveness on top of its achievements in 2021. Furthermore, in view of increasing credit risks, the Group will deepening its cooperation with existing physical dealers and accelerating the expansion of online sales network, and focus on risk management of receivable recovery from global markets to achieve steady development.

As proposed by the board of directors of the Group, Skyworth aims to achieve "transformation and development acceleration" in 2022. The Group will promptly promote the three key strategies of smartisation, refinement and internationalisation, and continue to expanding its focus on five key business sectors, namely multimedia, smart systems technology, smart appliances, new energy and modern services. Upholding the innovative thinking and development model, the Group will further focus on informatisation, cost control and improving efficiency, and actively promote the transformation in three key areas, namely from manufacturing to modern services, from hardware to software, and from terminal products to smart systems. In addition to consolidating its leading position in home appliances industry, the Group will continue to explore promising projects such as photovoltaic business, venture capital business, industrial park development and logistics business. Taking Coocaa Technology and Skyworth Electric as examples, the Group will also strive to spin-off other potential IPO projects to enhance the value of the Group.

Capitalising on the leading position in the multimedia and digital technology industries in the PRC, the Group will maintain the synergy of hardware and software to fulfill the needs in multi-scenarios with the use of the big data from Coocaa System. Based on the three elements of "connectivity, intelligence and ecology", the Group will facilitate the construction of green buildings which are "healthy, safe, convenient, comfortable and energy-saving", develop and promote smart system control centre (system) products, and expand a full range of smart home content services. With "Green building + Smart systems + Content services" as its core, the Group will achieve the one-stop smart control for home, office and vehicle, providing users with borderless and interactive sharing experience. The Group will also make every effort to explore overseas markets and focus on certain well-performing markets such as India, Southeast Asia and Africa. Moreover, the Group will continue to develop the European and Latin American markets, strengthen the planning of and investment in marketing channels, and promote the coordinated development of Skyworth's three major branded products (SKYWORTH, Coocaa and Metz) and OEM business, with an aim to achieve rapid growth in its overseas business.

EVENTS AFTER THE REPORTING PERIOD

COVID-19 and its variants including Omicron are continuing to spread around the world, together with recent tension in international relations, have caused continuous uncertainties in the business environment. The COVID-19 epidemic has not caused any material financial difficulties of the Group up to the date of this report, but it is expected that our overseas business would be affected for a certain period. The length of the period and scale of its impact are difficult to predict and subject to the development of the situation.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Lai Weide ("Mr. Lai"), aged 63, holds a master's degree in engineering from University of Electronic Science and Technology of China and is a senior economist. He is the Chairman of the Board and Executive Director since 8 July 2016. Mr. Lai is also the chairman of Skyworth Digital Co. Ltd., a subsidiary of the Company and listed on the Shenzhen Stock Exchange (Stock code: 000810.SZ) ("Skyworth Digital") and a director of certain subsidiaries of the Company.

Mr. Lai has served as deputy director-general and director-general of the Ministry of Machine-Building and Electronics Industry of the People's Republic of China; deputy head and head of the Assets and Finance Department of China Electronics Corporation ("CEC"); chairman and general manager of Nanjing Electronic Information Industrial Corporation; chairman and executive director of Nanjing Panda Electronics Company Limited (stock code: 00553, a company listed and traded on the main board of The Stock Exchange of Hong Kong Limited); chairman of Nanjing Huadong Electronics Information & Technology Company Limited* (南京華東電子信息科技股份有限公司) (stock code: 000727, a company listed on the Shenzhen Stock Exchange); chairman of IRICO Group Company Limited* (彩虹集團有限公司) under CEC; deputy general manager of CEC. He has engaged in the work of management in government and state-owned enterprises for a long period and has substantial experience in government authority and business management.

Save and except for the relationship with the Group mentioned above, Mr. Lai does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Lai has interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Please refer to the details of his interests on pages 38 to 44 of this annual report.

Mr. Liu Tangzhi ("Mr. Liu"), aged 58, joined the Group in 1998. Mr. Liu is an Executive Director and a director of certain subsidiaries of the Company. He was appointed as the Chief Executive Officer of the Company on 1 April 2017. Mr. Liu is the president of Skyworth Group Co., Ltd.*(創維集團有限公司)("Skyworth Group") and director of Skyworth Digital. Mr. Liu is primarily responsible for assisting the Chairman of the Board in the Company's daily operation management, promoting the business development and implementation of strategic plans of the Group.

Pursuant to the announcement of the Company dated 30 March 2022, with effect from 30 April 2022, due to internal work re-allocation, Mr. Liu will cease to be the Chief Executive Officer of the Company, and will be redesignated as the Vice Chairman of the Board, so that he can focus his time and attention on such role.

Mr. Liu graduated from the Zhongnan University of Economics and Law in Wuhan with a bachelor's degree in economics, and graduated from Macao University of Science and Technology with a master's degree in business administration.

Save and except for the relationship with the Group mentioned above, Mr. Liu does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Liu has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 38 to 44 of this annual report.

Ms. Lin Wei Ping ("Ms. Lin"), aged 64, is an Executive Director, a member of each of the Remuneration Committee and Nomination Committee and a director of certain subsidiaries of the Company. Ms. Lin was appointed as the executive chairperson of the Company on 1 April 2013 and resigned on 8 July 2016.

Ms. Lin joined the Group in 1993. Ms. Lin was the deputy manager of purchasing department and administration manager in Hong Kong and subsequently, the head of human resources department of the Group, primarily responsible for material purchasing from overseas market and administration and human capital management for certain companies within the Group.

Ms. Lin graduated from South China University of Technology in the PRC with a bachelor degree in electronic engineering. Before joining the Group, Ms. Lin had worked in the Ministry of Information Industry in the PRC as a research engineer.

Ms. Lin is the spouse of Mr. Wong Wang Sang, Stephen, the former non-Executive Director and a controlling shareholder of the Company and mother of Mr. Lin Jin, a current Executive Director. Save and except for the relationship mentioned above, Ms. Lin does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of her interests on pages 38 to 44 of this annual report.

Mr. Shi Chi ("Mr. Shi"), aged 50, is an Executive Director of the Company. He joined the Group in 2000 and is a director and the president of Skyworth Digital, in which Mr. Shi holds 3.46% shareholding and his spouse holds 0.61% shareholding. He is also a director of certain subsidiaries of the Company.

Pursuant to the announcement of the Company dated 30 March 2022, Mr. Shi will be appointed as the Chief Executive Officer of the Company with effect from 30 April 2022.

Mr. Shi graduated from Huazhong University of Science & Technology with a Doctorate degree in Communication and Electronic System. Mr. Shi has been participating in numerous national and provincial projects on technological researches, in charge of designing several high-end digital television products and publishing over 20 articles in various professional and science journals. He is the president of Shenzhen Young Science and Technology Talents Association and the vice president of Shenzhen Software Industry Association. He has served as the vice president of China Radio and TV Equipment Industry Association.

Save and except for the relationship with the Group mentioned above, Mr. Shi does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 38 to 44 of this annual report.

Mr. Lin Jin ("Mr. Lin"), aged 37, is an Executive Director of the Company. Mr. Lin graduated from the University of Toronto with a bachelor degree in applied science. He is currently a director in a number of subsidiaries of the Company, including Shenzhen Coocaa Network Technology Company Limited* (深圳市酷開網絡科技有限公司) and Skyworth Digital. He is also currently a director (non-executive) of Skywell New Energy Automobile Co., Ltd.* (開沃新能源汽車有限公司) and Skysource (China) Investment Co., Ltd.* (創源天地(中國)投資有限公司) and a number of their respective subsidiaries. Prior to joining the Group in 2011, Mr. Lin worked in MediaTek Inc. as a sales manager from November 2009 to October 2011 and Realtek Semiconductor Corp. as a system development engineer from September 2007 to September 2009. He has more than 10 years of work experience in companies primarily engaged in the business of designing and manufacturing electronics and electronic components. Mr. Lin was awarded the Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 2021.

Mr. Lin is the son of Mr. Wong Wang Sang, Stephen, the former Non-Executive Director and a controlling shareholder of the Company, and Ms. Lin Wei Ping, an Executive Director. Save and except for the relationship with the Group mentioned above, Mr. Lin does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 38 to 44 of this annual report.

Mr. Lam Shing Choi, Eric ("Mr. Lam"), aged 50, is the company secretary of the Company and he was appointed as an Executive Director on 28 February 2020.

Mr. Lam is mainly responsible for overseeing the finance functions, corporate governance matters and investor relationship of the Group. Mr. Lam joined the Group in March 1998 as the finance manager, and was responsible for preparing the monthly financial statements. In January 2001, he was transferred to Skyworth Multimedia International Limited (a wholly-owned subsidiary of the Company) as the financial controller, and was in charge of the finance department. From 2006 to 2007, he worked as the financial controller of Skyworth Overseas Development Limited (a wholly-owned subsidiary of the Company) and oversaw the finance department, internal control, financial statements and banking facilities. Mr. Lam then served as the financial controller of Skyworth TV Holdings Limited (a wholly owned subsidiary of the Company) from 2007 to 2011 and was responsible for the banking facility arrangement and financial reporting of the Company. He has been the financial controller of the TV business unit of the Group since December 2011 and the LCD business unit of the Group since December 2012. He is also a director and/or company secretary of certain subsidiaries of the Company. Mr. Lam graduated from Monash University in Australia with a bachelor's degree of business in accounting and a bachelor's degree of computing in information systems. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountants Australia. Mr. Lam has over 20 years of working experience in corporate finance, banking and accounting.

As at the date of this report, Mr. Lam is also an independent non-executive director of AGBA Acquisition Limited, which is listed on NASDAQ Stock Market in the United States of America.

Save and except for the relationship with the Group mentioned above, Mr. Lam does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Lam has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 38 to 44 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Weibin ("Mr. Li"), aged 60, is an Independent Non-Executive Director, the chairperson of Remuneration Committee, a member of each of the Audit Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 10 March 2000.

Mr. Li is a practicing solicitor in Hong Kong and is the founder and senior partner of Li & Partners, a firm of solicitors in Hong Kong. He graduated from the China University of Political Science and Law in Beijing, the postgraduate school of the Chinese Academy of Social Sciences in Beijing and the University of Hong Kong with a bachelor degree in law, a master degree in law and a bachelor degree in common law, respectively. Mr. Li is also admitted to practice law in the PRC, England and Wales and New York, USA. Mr. Li is a China-appointed attesting officer, a visiting professor in the China University of Political Science and Law and has worked in the legal field for over 30 years.

Save and except for the relationship with the Group mentioned above, Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 38 to 44 of this annual report.

Mr. Cheong Ying Chew, Henry ("Mr. Cheong"), aged 73, is an Independent Non-Executive Director, the chairperson of Audit Committee, a member of each of the Remuneration Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 1 January 2015.

Mr. Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London. Mr. Cheong has over 40 years of experience in the securities industry.

He is also an independent non-executive director of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited), and New World Department Store China Limited, all being companies listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, and an executive director and the deputy chairman of Worldsec Limited, a company listed in London.

He was an independent non-executive director of TOM Group Limited from 2000 to 2019, an independent non-executive director of Greenland Hong Kong Holdings Limited from 2006 to 2019, an independent non-executive director of CNNC International Limited from 2008 to 2019, an independent non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited from 2009 to 2019.

Save and except for the relationship with the Group mentioned above, Mr. Cheong does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Hung Ka Hai, Clement ("Mr. Hung"), aged 66, is an Independent Non-Executive Director, the chairperson of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee. He was appointed as an Independent Non-Executive Director on 18 March 2020.

Mr. Hung obtained a bachelor of arts degree from the University of Lincoln (formerly known as University of Huddersfield), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office, before he took up the chairman role of Deloitte China from 2014 to 2016. He was also a member of the China management team of Deloitte China. Mr. Hung had also assumed the role of the southern audit leader and the deputy managing partner of the southern region of China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global. In June 2016, he retired from Deloitte China.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 and 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of the Ministry of Finance in the People's Republic of China. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Hung is serving as a director of each of the following listed companies whose issued shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;

- an independent non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (stock code: 6069, the listing of the shares of which has been transferred to the Main Board from the GEM of the Stock Exchange (stock code: 8469) from 24 October 2019) since 19 June 2017;

- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;

- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;

- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 25 November 2018;

- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019; and

- an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021.

Mr. Hung was an independent non-executive director of SMI Holdings Group Limited (stock code: 198) from 16 January 2017 to 15 March 2017 and re-designated as a non-executive director of the said company on 15 March 2017. He subsequently resigned with effect from 28 February 2019. He was an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (stock code: 859) from 12 January 2018 to 15 June 2020. He was an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) from 31 December 2019 to 30 June 2021.

Save and except for the relationship with the Group mentioned above, Mr. Hung does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2021, Mr. Hung does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Huang Mingyan ("Mr. Huang"), aged 59, joined the Group as vice president of Skyworth Group in June 2017 and he is the director of Skyworth Group since 2021. Mr. Huang graduated from Chongqing University with a master degree in architectural economics and management. From August 1984 to July 1988, Mr. Huang worked as an designer at Central Design & Research Institute under the Ministry of Machinery Industry; from August 1993 to September 1999, he served as deputy head of the Group Affairs Department of China National Real Estate Development Group Corporation; he was general manager of the Property Department of China Electronics Corporation from October 1999 to November 2002; Mr. Huang served as general manager and secretary of Party Committee at China Electronic Industrial Development Company from December 2002 to April 2013; and he worked as assistant general manager of Caihong Group Corporation and general manager of Caihong Group Industrial Co., Ltd from May 2013 to May 2017.

Save and except for the relationship with the Company as mentioned above, Mr. Huang does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Wu Wei ("Mr. Wu"), aged 55, joined the Group in May 1997. Mr. Wu is a professor-level engineer who graduated from ShanghaiTech University with a bachelor degree in radio electronics. From May 1997 to January 2005, Mr. Wu served as deputy chief engineer and chief engineer of Shenzhen Chuangwei-RGB Electronics Co., Ltd.; from January 2005 to February 2009, he worked as vice president of Skyworth Multimedia (Overseas) Company Limited and general manager of its Research Centre; Mr. Wu was appointed as chief engineer of the TV business unit since February 2009, and he has been serving as chief engineer of Skyworth Group since 2017. Mr. Wu is the director of Skyworth Group since 2021.

Mr. Wu personally owns 13 authorised patents for invention and has published 8 theses on national publications. He presided and participated in the implementation of a number of China's key national programmes, including the project of core electronic components, high-end general use chips and basic software products, the 863 Programme, the Key Technologies R&D Programme, as well as electronics funds under the Ministry of Industry and Information Technology. In total, Mr. Wu has contributed 1 State Scientific & Technological Progress Award (First Class), 6 Guangdong Province Science & Technology Awards, and 8 Shenzhen Municipality Scientific & Technological Progress Awards for the Group.

Mr. Wu is a member of the National Standardisation Technical Committee for Audio, Video & Multimedia System and Equipment, the deputy director of Zhongguancun Audio-Visual Industry Technology Innovation Alliance, and a member of China's Expert Committee of Supplier Alliance for Smart Manufacturing Solutions. He is also head of the Guangdong Provincial Research Centre of Engineering Technology for Ultra-HD Display, a member of the Guangdong Provincial "Expert Panel for the Promotion of 4K Application & Sector Development", director of the Guangdong Provincial Standardisation Technical Committee for Green Manufacturing of Electrical & Electronic Products, and secretary general of the Shenzhen Municipality Alliance for Industry Standards of Smart TV.

Save and except for the relationship with the Company as mentioned above, Mr. Wu does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Ying Yiming ("Mr. Ying"), aged 46, is the financial controller of the Company.

Mr. Ying graduated from Hubei Normal University in the People's Republic of China majoring in Computer Accounting. He is a PRC accountant and a non-executive member of The Chinese Institute of Certified Public Accountants, and has over 22 years of experience in accounting and financial management. Mr. Ying joined the Group in 2000 and has been the director and financial controller of Skyworth Mobile Communication Technology (Shenzhen) Co., Ltd.*（創維移動通信技術（深圳）有限公司）, and head of the Accounting Department (PRC Division) and director of the Finance and Operations Management Department of Skyworth Group. Mr. Ying is currently the head of the Finance and Assets Department of Skyworth Group, and director of certain subsidiaries of the Company including Skyworth Digital, Skyworth Group, Skyworth Group Finance Co., Ltd.*（創維集團財務有限公司）and Skyworth Group Construction Development Co., Ltd.*（創維集團建設發展有限公司）.

Save and except for the relationship with the Company as mentioned above, Mr. Ying does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

* *For identification purposes only*

DIRECTORS' REPORT

The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 (hereinbelow also referred to as the reporting year).

PRINCIPAL ACTIVITIES

The Company is an investment holdings company. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products. Details of the principal activities of the principal subsidiaries, associates and joint ventures of the Group are set out in notes 54 and 21 of the consolidated financial statements, respectively.

BUSINESS REVIEW

A review of the business of the Group for the reporting year, including the discussion on the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of the reporting year and an indication of the likely future developments, is set out in the "Chairman's Statement" on pages 3 to 8 and "Management Discussion and Analysis" on pages 10 to 23 of this annual report. The above discussions form part of this Directors' Report. Details about the Group's financial risk management are set out in note 52 to the consolidated financial statements. An analysis of the Group's performance for the reporting year using financial key performance indicators is set out in the "Financial Highlights" on page 2 and "Management Discussion and Analysis" on pages 10 to 23 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the reporting year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76 of this annual report.

The board of Directors (the "Board") has proposed a final dividend for the reporting year of 23 HK cents (in cash) per share of the Company (2020: Nil), totalling approximately RMB497 million (2020: Nil), as at the date of this report to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 1 June 2022, and the retention of the remaining profit for the reporting year in reserves.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may from time to time in general meeting declare dividends in any currency to be paid to the shareholders of the Company, but no dividend shall be declared in excess of the amount recommended by the Board. The Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company.

The proposed dividend payout as determined by the Board at the time of declaration of dividend would depend on, among other matters, the distributable profits, cash flow, liquidity and financial position, current and future operations, capital requirements and surplus of the Company, as well as dividends received from Company's subsidiaries and associates. The payment of dividend is also subject to any restrictions under Bermuda laws and the Company's bye-laws.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting long term environmental sustainability and creating sustainable value for stakeholders by providing safe, reliable and high-quality products and services that satisfy our customers. We strive to encourage higher awareness of environmental conservation at our workplace. The Group established a Corporate Social Responsibility Policy which defines our long-term approach to specific issues in four key aspects: Workplace, Environment, Operating Practices and Community, which is instrumental in enabling our business to operate in a sustainable manner.

The Group strives to achieve the foregoing environmental objectives by minimising the environmental impact concerning our daily business operations and promoting environmental protection in the supply chain and workplace. We aspire to reduce pollutions, emissions and wastes, increase recycling and minimise energy consumption by continually improving our environmental management policies and practices and educating our employees to adopt environmentally responsible behaviour.

The Group always cherishes natural resources and believes that business expansion and minimisation of the consumption of natural resources can co-exist. In relation to the efficient use of resources, the Group has introduced various energy efficiency strategies and measures including implementation of energy-saving machines, installation of eco-friendly lighting system, and reduction of water and paper consumption.

To ensure that our actions and initiatives are effective and relevant, the Board regularly reviews our environmental, social and governance strategy and monitor our progress in achieving such objectives.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the reporting year, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

On the corporate level, the Company and all of its subsidiaries have complied with the relevant laws of their respective place of incorporation and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Securities and Futures Ordinance (the "SFO") where they are applicable. The Group has adopted its own code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to disability, gender, family status and race discrimination, as well as occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

RELATIONSHIP WITH KEY STAKEHOLDERS

(a) Employees

The Group believes that employees are the primary force in driving its business growth and considers them to be the most valuable assets of a company and strives to help its employees achieve their full potential both personally and professionally. We promote team spirit and offer various training programmes to help improve the competency, work skills, expertise and performance of employees. The training programmes also help employees raise awareness on environmental issues and workplace discrimination to improve their understanding of the strategies and policies of the Group.

(b) Customers

The Group strives to achieve corporate sustainability in providing quality products and services to our customers. We have established strict quality control to ensure continuous improvement of product quality by conducting regular market surveys to gain market insights and feedback.

(c) Suppliers

The Group has established a well-governed supplier selection and evaluation system. We adhere to open, fair and transparent criteria in selecting suppliers and carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers to ensure they can meet the requirements, values and expectations of the Group.

(d) Shareholders and Investors

The Group has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and investors. We believe that the accurate and timely information disclosure can facilitate constructive feedback and ideas that are beneficial for investor relations and future corporate development.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past 5 financial years is set out on pages 203 to 204 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the reporting year, the Group incurred approximately RMB1,086 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately RMB744 million for the expansion of existing production facilities and setting up of new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the reporting year are set out in note 16 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme and share award schemes of the Company disclosed in the section headed "Directors' Interests in Shares, Share Options and Awarded Shares" below and note 41 to the consolidated financial statements, no equity-linked agreement was entered into by the Company during the reporting year or subsisted at the end of the reporting year.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the reporting year are set out in note 40 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the reporting year are set out in the "Consolidated Statement of Changes in Equity" on pages 79 to 80 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2021 amounted to approximately RMB2,251 million (2020: RMB2,398 million).

Details of the distributable reserves of the Company during the reporting year are set out in note 56 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

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

During the reporting year, the Board considered repurchases of Shares would lead to an enhancement of the earnings per Share and overall shareholders return, thus the Company has purchased a total of 29,056,000 Shares of the Company on the Stock Exchange (the "Repurchased Shares") at an aggregate consideration of approximately HK$140.23 million (excluding expenses). All the Repurchased Shares were cancelled on 15 December 2021. As at 31 December 2021, the total number of Shares in issue was 2,667,229,420.

Details of the repurchase are summarised as follows:

Month of repurchase	Total number of Shares repurchased	Consideration per Share		Aggregate consideration paid (HK$)
		Highest price (HK$)	Lowest price (HK$)	
November 2021	15,630,000	4.99	4.32	76,882,725.40
December 2021	13,426,000	4.91	4.60	63,349,672.00
Total	**29,056,000**	**–**	**–**	**140,232,397.40**

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the reporting year.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting year, the aggregate revenue attributable to the Group's 5 largest customers was less than 11.9% of the Group's total revenue. The aggregate purchase attributable to the Group's 5 largest suppliers accounted for 14.1% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 4.3% of the total purchases.

None of the Directors, their associates or any shareholders of the Company (who to the knowledge of the Directors owns 5% or more of the issued shares of the Company) has any interest in any of the Group's abovementioned 5 largest customers or suppliers.

DONATIONS

During the reporting year, the Group made charitable donations of approximately RMB1.3 million (2020: RMB1.7 million).

DIRECTORS

The Directors who held office during the reporting year and up to the date of this report are as follows:

Executive Directors:

Mr. Lai Weide
Mr. Liu Tangzhi
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Lam Shing Choi, Eric

Independent Non-Executive Directors:

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Hung Ka Hai, Clement

Biographical details of the Directors are set out on pages 24 to 31 of this annual report and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

In accordance with bye-law 87 of the Company's bye-laws, Mr. Shi Chi, Mr. Lam Shing Choi, Eric and Mr. Hung Ka Hai, Clement will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. The Nomination Committee also reviewed Directors' independence on a meeting held on 18 March 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the existing Directors and senior management of the Company are set out on pages 24 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation. All independent non-executive Directors have entered into letters of appointment with the Company for a term of three years which may be terminated by either party by giving to the other not less than one month's notice in writing.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions/Contracts of Significance with Controlling Shareholder" in this report in relation to transactions with entities controlled by Mr. Wong Wang Sang, Stephen, who is the controlling shareholder of the Company and the spouse of Ms. Lin Wei Ping, an executive Director, no transaction, arrangement or contract of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting year or at any time during the reporting year.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBENTURES

Other than the interests in share options of the Company as disclosed in this Directors' Report, and in the share option schemes and the 2020 Share Award Scheme disclosed in note 41 and note 42 to the consolidated financial statements respectively, at no time during the reporting year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting year.

PERMITTED INDEMNITY PROVISIONS

The Company's bye-laws provides that the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors, secretary and other officers of the Company.

In addition, an appropriate insurance cover had been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 31 December 2021, the interests and short positions that the Directors and the chief executive of the Company had or were deemed to have in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code, were as follows:

(a) Long Positions in Shares of the Company and Associated Corporations

The Company

Name of Director	Capacity		Number of ordinary shares held	Approximate percentage of the total number of issued shares *(Note e)*
Lai Weide	Beneficial owner		10,002,000 *(Note d)*	0.37%
Lin Wei Ping	Beneficial owner		9,160,382	0.34%
	Held by spouse	*(Notes a and b)*	1,238,258,799	46.42%
		(Notes a and c)	1,247,419,181	46.77%
Liu Tangzhi	Beneficial owner		9,884,675 *(Note d)*	0.37%
Shi Chi	Beneficial owner		6,184,825	0.23%
	Held by spouse		5,446,466	0.20%
			11,631,291 *(Note d)*	0.43%
Lin Jin	Beneficial owner		3,898,719	0.15%
Li Weibin	Beneficial owner		1,000,000	0.04%
Lam Shing Choi, Eric	Beneficial owner		3,000,000 *(Note d)*	0.11%

Notes:

(a) 37,300,000 shares of the Company are held by Mr. Wong Wang Sang, Stephen and 1,200,958,799 shares of the Company are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is interested and deemed to be interested in 1,238,258,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,247,419,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,200,958,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

(d) Subsequent to the reporting date, Mr. Lai Weide, Mr. Liu Tangzhi, Mr. Shi Chi, Ms. Tang Yan (spouse of Mr. Shi Chi) and Mr. Lam Shing Choi, Eric disposed of an aggregate amount of 34,517,966 shares at HK$4.84 per share off the Stock Exchange on 13 January 2022.

(e) The calculation is based on the total number of issued shares of the Company (i.e. 2,667,229,420 shares) as at 31 December 2021.

(f) Please refer to the section below headed "(b) share options of the Company" for details on the Directors' interest in the underlying shares of the Company.

Associated corporation – Skyworth Digital Co., Ltd.

Name of Director	Capacity	Number of shares held	Approximate percentage of the total number of issued shares *(Note a)*
Lai Weide	Beneficial owner *(Note a)*	750,000	0.07%
Liu Tangzhi	Beneficial owner *(Note a)*	600,000	0.06%
Shi Chi	Beneficial owner	36,770,524	3.46%
	Held by spouse	6,507,500	0.61%
		43,278,024	4.07%

Note:

(a) The calculation is based on the total number of issued shares of Skyworth Digital Co., Ltd. (i.e. 1,063,237,105 shares) as at 31 December 2021.

(b) Share Options of the Company

The Company adopted its current share option scheme at an annual general meeting of the Company held on 20 August 2014 ("2014 Share Option Scheme"). A summary of the principal terms of 2014 Share Option Scheme is set out below.

1. Purpose

The purpose of the 2014 Share Option Scheme is to enable the Board to grant options to selected eligible person(s) as incentives or rewards for their contribution or potential contribution to the Group.

2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any eligible person to subscribe at a price determined in accordance with paragraph 7 below for such number of Shares as it may determine in accordance with the terms of the 2014 Share Option Scheme.

The basis of eligibility of any of the eligible persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

3. Total Number of Shares Available for Issue under the 2014 Share Option Scheme and Percentage of Issued Share Capital as at the Date of This Annual Report

283,100,239 Shares (10.66%).

4. Maximum Entitlement of Each Participant

The maximum number of shares issuable under options granted to each participant under the 2014 Share Option Scheme within any 12-month period up to the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of such limit must be separately approved by shareholders with such participant and his close associates (within the meaning of the Listing Rules) abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any who is the grantee of options). Where any grant of share options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2014 Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the Company's shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of share options granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates) is also required to be approved by the shareholders of the Company.

5. Time of Exercise of Option

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

No minimum period, during which the option granted under the 2014 Share Option Scheme must be held, is specified in the 2014 Share Option Scheme.

6. Acceptance of Offers

An offer for the grant of options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

7. The Basis of Determining the Exercise Price

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:–

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant which must be a business day; and

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant,

provided that the option price per Share shall in no event be less than the nominal amount of one Share.

8. The Remaining Life of the 2014 Share Option Scheme

The 2014 Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the 2014 Share Option is adopted by Shareholders in general meeting and shall expire at the close of business on the day immediately preceding the tenth anniversary thereof (i.e. 19 August 2024) unless terminated earlier by Shareholders in general meeting.

The following tables show the movements in the Company's share options granted to the Directors and employees under 2014 Share Option Scheme during the reporting year:

Directors

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 January 2021	Granted during the reporting year	Exercised during the reporting year	Cancelled/ Lapsed during the reporting year *(Note c)*	Outstanding as at 31 December 2021
Directors:								
Lai Weide								
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	–	–	2,500,000
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	–	–	–	4,000,000 *(Note d)*
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	–	–	–	3,000,000 *(Note d)*
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	–	–	–	3,000,000 *(Note d)*
Liu Tangzhi								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	–	–	–	4,000,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	–	–	–	3,000,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	–	–	–	3,000,000
Lam Shing Choi, Eric								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	800,000	–	–	–	800,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	600,000	–	–	–	600,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	600,000	–	–	–	600,000
(a) Sub-total (Directors)				**32,000,000**	**–**	**–**	**–**	**32,000,000**

Employees

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding as at 1 January 2021	Granted during the reporting year	Exercised during the reporting year	Cancelled/ Lapsed during the reporting year (Note c)	Outstanding as at 31 December 2021
				Number of share options				
Employees:								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,852,000	–	(674,000)	–	14,178,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	(1,374,000)	–	15,780,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,692,000	–	(288,000)	–	25,404,000
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	–	–	500,000
15 April 2019	2.680	15 April 2019 to 2 9 September 2019	30 September 2019 to 20 August 2024	11,920,000	–	(10,772,000)	–	1,148,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	8,940,000	–	(7,844,000)	–	1,096,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	8,940,000	–	(7,204,000)	–	1,736,000
(b) Sub-total (Employees)				**89,498,000**	**-**	**(28,156,000)**	**-**	**61,342,000**
Grand Total: (a) Directors + (b) Employees				**121,498,000**	**-**	**(28,156,000)**	**-**	**93,342,000**

Notes:

(a) The closing prices of the Shares immediately before 22 January 2016, 8 July 2016, 9 August 2017 and 15 April 2019 (i.e. the date on which the respective share options referred to above were granted) were HK$4.22, HK$6.32, HK$4.08 and HK$2.62 respectively.

(b) The weighted average closing price of the Shares immediately before the dates of exercise by employees was HK$5.53.

(c) No share options were cancelled during the reporting year.

(d) After the end of the reporting year, Mr. Lai Weide exercised 10,000,000 share options on 21 January 2022.

(c) Awarded Shares of the Company

2020 Share Award Scheme

The Board adopted a share award scheme on 21 October 2020 (the "2020 Share Award Scheme"). The purpose of the 2020 Share Award Scheme is to recognise the contributions by eligible participants to the Group and to incentivise them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The maximum number of Shares to be awarded under the 2020 Share Award Scheme throughout its duration shall not exceed (i) 80,000,000 Shares or (ii) 2% of the issued share capital of the Company from time to time (whichever the lower). The maximum number of Shares which may be awarded to a Selected Participant (including vested and non-vested) under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the reporting year, the Company purchased 40,000,000 shares of the Company on the Stock Exchange through an independent trustee at a total consideration of HK$78,249,300 (excluding expenses). As at 31 December 2021, 40,000,000 shares of the Company were held by the independent trustee, for the purpose of the 2020 Share Award Scheme. Details of the 2020 Share Award Scheme are set out in the announcement of the Company dated 21 October 2020.

During the reporting year, no cash dividend had been received in respect of the shares of the Company held upon the trust for the 2020 Share Award Scheme and shall form part of the trust fund of such trust.

As at 31 December 2021, none of the awarded shares under the 2020 Share Award Scheme were granted and none of the Directors or chief executives, or their associates, had any interests in the awarded shares under the 2020 Share Award Scheme.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company under Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code as at 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the reporting year, none of the executive Directors had any interests in any businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

EMOLUMENT POLICY

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time, with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on pages 50 to 67 of this annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 43 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or the chief executive of the Company, as at 31 December 2021, the register of interests in shares and short positions maintained by the Company pursuant to Section 336 of the SFO showed that the following persons, who are not a Director or chief executive of the Company, had, or were deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the total number of issued Shares *(Note c)*
Long positions			
Target Success	Trustee *(Note a)*	1,200,958,799	45.03%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.40%
	Held by spouse *(Note b)*	9,160,382	0.34%
	Interest of controlled corporation *(Note a)*	1,200,958,799	45.03%
		1,247,419,181	46.77%

Notes:

(a) 1,200,958,799 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,200,958,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) The calculation is based on the total number of issued shares of the Company (i.e. 2,667,229,420 shares) as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors or the chief executive of the Company were not aware of any other interests or short positions that any person (not being a Director or chief executive of the Company) had, or were deemed to have in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS/CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Connected Transactions

During the reporting year, members of the Group have entered into the following connected transactions which are not exempted from the annual reporting requirement under Chapter 14A of the Listing Rules:-

1. On 26 March 2021, Skyworth Group Co., Ltd.* (創維集團有限公司) ("Skyworth Group"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company, entered into a trademark transfer agreement ("Trademark Transfer Agreement") with Sky-well New Energy Automobile Group Co. Ltd.* (開沃新能源汽車集團股份有限公司) ("Sky-well New Energy"), a company established in the PRC, in relation to the transfer by Skyworth Group to Sky-well New Energy of a total of 11 trademarks bearing the word "Skyworth" owned by Skyworth Group registered with the Trademark Office of the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局商標局) under Class 12 (Vehicles; apparatus for locomotion by land, air or water) of the Nice Classification by the World Intellectual Property Organization as applied in the PRC through its local laws, at a consideration of RMB28,000,000. As Sky-well New Energy is ultimately controlled by Mr. Wong Wang Sang, Stephen ("Mr. Wong"), the controlling shareholder of the Company, it is an associate of Mr. Wong and hence a connected person under Chapter 14A of the Listing Rules.

   On the same date as the Trademark Transfer Agreement, Sky-well New Energy entered into a licensing agreement with Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司) ("Skyworth Automobile") a company established in the PRC and an indirect non wholly-owned subsidiary of the Company, pursuant to which Sky-well New Energy granted in favour of Skyworth Automobile a perpetual license free of change in respect of use of the subject trademarks and other new trademarks registered in the future by Sky-well New Energy under Class 12 of the Nice Classification, pursuant to which Skyworth Automobile may use such trademarks in a range of specified electronic products / electric appliances relating to automobile and vehicles.

   Further details on these agreements are set out in the Company's announcement dated 26 March 2021.

2. On 16 April 2021, each of (i) Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) ("SSDT"), a subsidiary of the Company and a company established in the PRC, and (ii) Shenzhen Skyworth Software Co., Ltd.* (深圳市創維軟件有限公司) ("Skyworth Software"), a company established in the PRC and a wholly-owned subsidiary of SSDT, entered into the respective agreements with Jiangsu Skywell Automobile Co., Ltd.* (江蘇開沃汽車有限公司) ("Jiangsu Skywell Automobile") for the acquisition from Jiangsu Skywell Automobile of certain motor vehicles for use in its ordinary course of business for an aggregate consideration of approximately RMB3.9 million. As Jiangsu Skywell Automobile is ultimately controlled by Mr. Wong, the controlling shareholder of the Company, it is an associate of Mr. Wong and hence a connected person under Chapter 14A of the Listing Rules.

   Further details on these agreements are set out in the Company's announcement dated 16 April 2021.

Continuing Connected Transactions

The following is the continuing connected transactions of the Group conducted during the reporting year which are not exempt from the annual reporting requirement under Chapter 14A of the Listing Rules:

1. On 25 April 2019, Shenzhen Chuangwei Financial Leasing Company Limited*(深圳創維融資租賃有限公司)("Shenzhen Chuangwei Financial Leasing"), an indirect wholly-owned subsidiary of the Company, entered into a sale and leaseback agreement with Nanjing Golden Dragon Bus Co., Ltd.*(南京金龍客車製造有限公司)("Nanjing Golden Dragon Bus") (the "Leaseback Agreement"), pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production equipment and motor vehicles in favour of Nanjing Golden Dragon Bus at an initial sale price of RMB260,000,000 (equivalent to approximately HK$302,879,000) commencing on the date of payment of the initial sale price and ends on the date which is 3 years from the date of the sale and leaseback agreement. Details of the transaction were announced by the Company on 25 April 2019.

   As at the end of the reporting year, the actual leasing principal amount under the Leaseback Agreement was RMB40,000,000. The maximum leasing principal amount under the Leaseback Agreement at any point of time during the reporting year was RMB160,000,000. As of 25 February 2022, all outstanding amount of under the sale and leaseback agreement has been repaid, and the total principal amount repaid, together with interest, amounted to approximately RMB300.9 million.

   Mr. Wong, the controlling shareholder of the Company, indirectly held approximately 88% equity interest of Nanjing Golden Dragon Bus as of 25 April 2019 and therefore Nanjing Golden Dragon Bus is an associate of a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Factoring Agreement and Leaseback Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2. On 16 April 2021, SSDT entered into a framework agreement with Shenzhen Xiaopai Technology Co., Ltd.* (深圳小湃科技有限公司) ("Xiaopai"), pursuant to which SSDT will supply products manufactured by it, pursuant to the terms of the framework agreement for a term of one year running from 1 January 2021 to 31 December 2021 and there is no option to renew the framework agreement (the "2021 Framework Agreement"). The annual cap in respect of the sale of products by SSDT to Xiaopai under the 2021 Framework Agreement for the year ending 31 December 2021 is RMB195 million, which is determined primarily by reference to indications in writing by Xiaopai in respect of the volume of orders it intends to place with SSDT under the 2021 Framework Agreement. Details of the transaction were announced by the Company on 16 April 2021.

3. On 23 December 2021, SSDT, entered into a framework agreement with Xiaopai, pursuant to which SSDT will supply products manufactured by it, pursuant to the terms of the framework agreement for a term of one year running from 1 January 2022 to 31 December 2022 and there is no option to renew the framework agreement (the "2022 Framework Agreement"). The annual cap in respect of the sale of products by SSDT to Xiaopai under the 2022 Framework Agreement for the year ending 31 December 2022 is RMB334 million, which is determined primarily by reference to (i) the transaction amount of approximately RMB195 million actually incurred under the 2021 Framework Agreement during the period from 16 April 2021 up to 23 December 2021, and (ii) indications in writing by Xiaopai in respect of the volume of orders it intends to place with SSDT under the 2022 Framework Agreement. Details of the transaction were announced by the Company on 23 December 2021.

During the reporting year, the Company has complied with the relevant disclosure requirements in respect of its continuing connected transactions in accordance with Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that each of these transactions was entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms; and (3) in accordance with the terms of the respective agreement which is considered to be fair and reasonable and in the interests of the shareholders of the Company as a whole.

Messrs Deloitte Touche Tohmatsu, the independent auditor of the Company, was engaged to report on the above continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.56 of the Listing Rules, the auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction item nos. 1 and 2 as disclosed above by the Company and a copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of related party transactions made during the reporting year is disclosed in note 53 to the consolidated financial statements.

PUBLIC FLOAT

Base on the information that is publicly available to the Company and within the knowledge of its Board as at the date of this report, the Company has complied with the public float requirement of the Listing Rules throughout the reporting year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 50 to 67 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company comprises of Mr. Cheong Ying Chew, Henry (Chairman), Mr. Li Weibin and Mr. Hung Ka Hai, Clement. The audit committee, together with the Board, have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2021.

AUDITOR

The consolidated financial statements of the Group for the reporting year have been audited by Messrs Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

Lai Weide
Chairman of the Board
22 March 2022

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining 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 Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMPLIANCE WITH THE CG CODE

During the financial year ended 31 December 2021 (herein below also referred as the reporting year) and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provision A.6.7 of the CG Code.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Mr. Li Weibin, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 20 May 2021 due to other prior business engagements.

KEY CORPORATE GOVERNANCE PRINCIPLES

The Board

(1) Responsibilities

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and monitoring and evaluating of the operating activities and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain responsibilities to the specific Board committees.

(2) Access for Supporting

The Directors may have access to the advice and services of the Company Secretary with a view to ensuring that the Board's procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide appropriate independent professional advice to the Directors to assist them on discharging their duties and responsibilities.

Appropriate insurance cover has been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

(3) Board Composition

As at the date of this report, the Board consists of 9 members of which 6 are executive Directors and 3 are independent non-executive Directors. The list of Directors are set out on page 211 of this annual report. After annual assessment by the Nomination Committee during the year, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. Their biographical details including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 24 to 31 of this annual report.

Executive Directors

All of the executive Directors possess the qualification and experiences in their respective areas of responsibility. Under the leadership of the Chairman of the Board, the Board is able to maintain the success of the Group's business.

Independent Non-Executive Directors

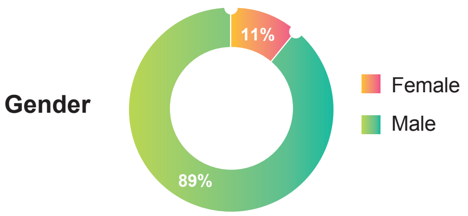
Currently, the 3 independent non-executive Directors are experienced professionals with different expertise in accounting, legal and strategic management. Their mix of skills and experience, and their independent view would definitely provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the shareholders of the Company in general and the Company as a whole. The Board confirms that the Company has received from each of the independent non-executive Directors a confirmation of independence for the reporting year pursuant to Rule 3.13 of the Listing Rules and considers such independent non-executive Directors to be independent.

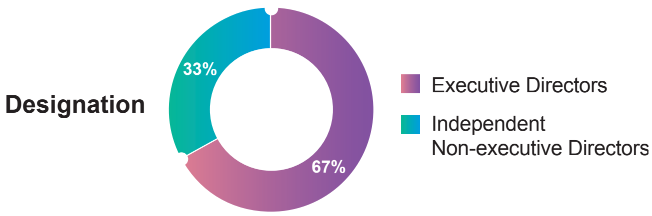
(4) Board Diversity Policy

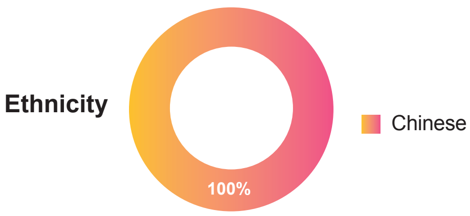
The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy (the "Policy") which sets out the basic principles to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience.

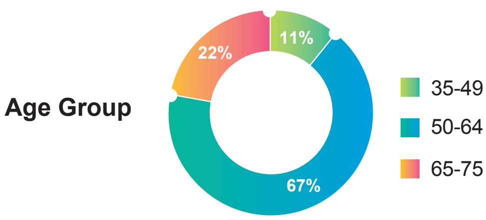
In considering the new appointment of Directors, the Nomination Committee had considered the Policy and with reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

The following chart shows the diversity profile of the Board as at the date of this report:









Biographical details of the Directors are set out on pages 24 to 31 of this annual report and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

During the reporting year, the Nomination Committee conducted an annual review of the Board's composition, taking into account of the Policy, and formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives necessary to meet the business requirements of the Group. The Nomination Committee will review the Policy from time to time to ensure the effectiveness of the Policy and discuss any revisions that may be required, and make recommendations accordingly to the Board for consideration and approval.

(5) Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") on 27 November 2018, which sets out the selection criteria and nomination procedures for the appointment of Directors. A summary of the Nomination Policy is disclosed below:

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Character and integrity
- Accomplishment and experience in the areas of Company's business and public board experience
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

The Nomination Committee and the Board will follow the below procedures in appointing a Director:

1. The Nomination Committee uses multiple sources to identify the individual(s) who is/are suitably qualified to become Board members.

2. The Nomination Committee reviews the qualification, skills and experience of the individual(s) and, if thought fit, makes recommendation to the Board.

3. The Board considers the individual(s) who is/are recommended by the Nomination Committee by assessing and evaluating his/her qualification, skills and experience and, if thought fit, to approve the appointment of individual(s) as Director.

4. According to the Company's bye-laws, any director appointed to fill the causal vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Nomination Committee will review the Nomination Policy from time to time to ensure the effectiveness of the Nomination Policy and discuss any revisions that may be required, and recommended such revisions to the Board for consideration and approval.

(6) Continuous Professional Development

On appointment to the Board, each newly appointed Director will attend an introduction covering the general, statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company is required to provide the Directors with regular updates relating to the Group's business.

All Directors have complied with the code provision in the CG Code in relation to continuous professional development. This has involved various forms of activities including attending presentation given by external professional advisors and reading materials relevant to the regulatory updates, Company's business, directors' duties and responsibilities. The Company continues to provide the Directors with updates relating to the relevant Listing Rules and regulations, ensuring the Directors have thorough understanding of good corporate governance.

The Directors are required to provide the Company with details of professional training undertaken by them during the reporting year. Based on the details so provided, the professional training undertaken by the Directors during the reporting year is summarised as follows:

	Training Areas		
Name of Director	Legal and regulatory	Corporate governance	Group's business/ Directors' duties
Executive Directors:			
Mr. Lai Weide	✓	✓	✓
Mr. Liu Tangzhi	✓	✓	✓
Ms. Lin Wei Ping	✓	✓	✓
Mr. Shi Chi	✓	✓	✓
Mr. Lin Jin	✓	✓	✓
Mr. Lam Shing Choi, Eric	✓	✓	✓
Independent Non-Executive Directors:			
Mr. Li Weibin	✓	✓	✓
Mr. Cheong Ying Chew, Henry	✓	✓	✓
Mr. Hung Ka Hai, Clement	✓	✓	✓

(7) The Chairman of the Board and Chief Executive Officer of the Company

The Chairman of the Board is Mr. Lai Weide and the Chief Executive Officer of the Company is Mr. Liu Tangzhi. The roles of the Chairman of the Board and the Chief Executive Officer of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the Chairman of the Board are to provide leadership to the Board; to ensure the Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable; to ensure the Company established good corporate practice and procedures; and to provide appropriate briefing on the issues arising from Board meetings.

The Chief Executive Officer of the Company is responsible for implementing decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the executive Directors and senior management.

(8) Appointment, Re-election and Removal of Directors

A person may be appointed as a member of the Board at any time either by the shareholders of the Company in a general meeting or by the Board upon recommendation of the Nomination Committee. Each of the Directors has entered into a service contract with the Company for a term of not more than 3 years. Directors who are appointed by the Board must retire at the next following annual general meeting after their appointment.

According to the bye-laws of the Company as amended from time to time and the CG Code, all Directors are subject to retirement by rotation once every 3 years and one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to, but not less than one-third) shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

(9) Board Meetings and Corporate Governance Function

The Board held a total of 7 meetings during the reporting year. Of these, 4 meetings were held mainly for approving 2020 final results, 2021 interim results and the quarterly results of the Group; the other meetings were held to discuss and consider important issues of the Group and review policies related to internal control and corporate governance.

Sufficient notices to Board meetings are given to all Directors prior to the meetings for the purpose of providing all Directors with sufficient time to schedule their business for the meetings, and to propose matters to be included in the agenda for the meetings. Agenda and meeting documents are despatched to all Directors at least 3 days before each of the meetings to ensure that the Directors have sufficient time to review documents and be adequately prepared for the meeting. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman of the Board prior to the meeting.

Management of the Company has, from time to time, supplied to the Board relevant information, as well as reports relating to operational and financial performance of the Group, enabling the Directors to make informed decisions. Members of the management who are responsible for preparation of the documents for discussion at the Board meetings are usually invited to present the relevant documents and to take any questions or address queries that the Directors may have on the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision making processes.

The proceedings of the Board at its meetings are conducted by the Chairman of the Board who is responsible to ensure that sufficient time is allocated for discussion and consideration of each agenda item and that equal opportunities are given to the Directors to speak and express their views and concerns. Minutes of the Board meetings are recorded in sufficient detail about the matters considered by the Board and the decisions reached, including any concerns raised by the Directors. The minutes are kept by the Company Secretary or any other personnel appointed by the Board at the meetings. Subsequently, the signed minutes are circulated to the Directors and are available for inspection by the Directors.

During the reporting year, the Board was responsible for performing the corporate governance functions such as to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the CG Code and make relevant disclosures in the Corporate Governance Report.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board committee meetings, and the general meetings of the Company during the reporting year is set out in the table below:

	Attendance/Number of meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting	Special general meeting
Executive Directors						
Mr. Lai Weide	6/7	–	–	–	1/1*	1/1*
Mr. Liu Tangzhi	7/7	–	–	–	1/1*	1/1*
Ms. Lin Wei Ping	7/7	–	3/3	2/2	1/1*	0/1
Mr. Shi Chi	7/7	–	–	–	1/1*	1/1*
Mr. Lin Jin	6/7	–	–	–	0/1	1/1*
Mr. Lam Shing Choi, Eric	7/7	–	–	–	1/1	1/1
Independent Non-Executive Directors						
Mr. Li Weibin	7/7	4/4	3/3	2/2	0/1	1/1*
Mr. Cheong Ying Chew, Henry	7/7	4/4	3/3	2/2	1/1	1/1
Mr. Hung Ka Hai, Clement	7/7	4/4	3/3	2/2	1/1	1/1

* As the 14-day quarantine policy is implemented in Hong Kong and mainland China due to the COVID-19 epidemic, such Director attended the general meeting via video conference.

(10) *General Meetings*

The annual general meeting and other general meetings of the Company are the primary communication with its shareholders. All shareholders of the Company are welcomed to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf. Other than shareholders' participation, independent non-executive Directors should attend general meetings and develop a better understanding of the views of shareholders. During the reporting year, other than the annual general meeting, one special general meeting was held to approve a major transaction in relation to the disposal of equity interest in Guangzhou Flat Display Technology Co., Ltd.* (廣州創維平面顯示科技有限公司).

The attendance record of each Director during the reporting year is set out in the section "Attendance Record of Directors and Committee Members".

(11) *Securities Transactions of Directors*

The Company has adopted the Code of Conduct on terms no less exacting than the required standard as set out in the Model Code. Having made specific enquiry of all Directors, the Company received confirmation from each of the Directors that he/she had complied with the Code of Conduct throughout the reporting year.

Board Committees

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by 4 board committees, including Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the websites of the Company and the Stock Exchange. All committees are provided with sufficient resources to discharge their duties.

(1) Executive Committee

The Executive Committee was established by the Board on 5 February 2005 with written terms of reference adopted on the same date. The Executive Committee currently comprises 10 members, including several executive Directors and senior management of the Company.

The Executive Committee has been delegated with powers from the Board to deal with matters of the Group. The authority and major duties of the Executive Committee are summarised as follows:

- to establish strategic planning and financial budgets for Board's approval;
- to monitor daily business operations, including sales, productions, brand and product promotion and human resources capital, of the Group;
- to review and approve management reports;
- to evaluate investments opportunities for Board's approval; and
- to monitor fund flows and evaluate cash management policies of the Group.

The Executive Committee held monthly meetings during the reporting year to review, discuss and evaluate the monthly business performance and other business and operational matters of each major subsidiary of the Group.

(2) Audit Committee

The Audit Committee was established by the Board since the listing of the shares of the Company on the Stock Exchange on 7 April 2000. As at the date of this report, the Audit Committee currently comprises 3 independent non-executive Directors. The chairman of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Hung Ka Hai, Clement.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the amendments made to the CG Code with effect from 1 January 2016, the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments.

The major duties of the Audit Committee set out in its terms of reference are summarised as follows:

- to ensure and coordinate the relationship with the Company's external auditors and make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review the Company's financial information; and
- to oversee the Company's financial reporting system, risk management and internal control systems (both covering environmental, social and governance topics), financial and related environmental, social and governance disclosure.

The Audit Committee held 4 meetings during the reporting year for the purposes of, including but not limited to, the following:

- reviewed and commented on the Company's annual and interim financial reports;
- reviewed the unaudited 2021 first and third quarterly results of the Company;
- oversaw the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
- reviewed the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
- discussed the Group's internal audit plan with the Risk Management Department;
- reviewed the continuing connected transactions of the Company; and
- met and communicated with the external auditors for audit works of the Group.

The attendance record of each member of Audit Committee during the reporting year is set out in the section "Attendance Record of Directors and Committee Members".

(3) Nomination Committee

The Nomination Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was further updated and approved on 30 March 2012 and 25 August 2017. The Nomination Committee currently comprises 4 members. As at the date of this report, the chairman of the Nomination Committee is Mr. Hung Ka Hai, Clement and the other members are Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Ms. Lin Wei Ping. Except for Ms. Lin Wei Ping, is an executive Director, the remaining 3 members are independent non-executive Directors.

The major duties of the Nomination Committee as set out in its terms of reference are summarised as follows:

- to review the structure, size and composition of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to be responsible for identifying and nominating suitably qualified candidates as additional Directors or to fill Board vacancies as such occasions arise for approval of the Board;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular regarding the chairman and the Chief Executive Officer;
- in case of appointment and re-appointment of independent non-executive Directors, to assess the independence of the appointees having regard to relevant guidelines or requirements of the Listing Rules in place from time to time; and
- to assess the independence of independent non-executive Directors on an annual basis having regard to relevant guidelines or requirements of the Listing Rules in place from time to time.

The Nomination Committee held 2 meetings during the reporting year for the purposes, including but not limited to the followings:

- reviewed the structure, size and composition of the Board;
- reviewed and assessed the independence of the independent non-executive Directors; and
- reviewed and made recommendation to the Board on the re-appointment of three executive Directors.

The attendance record of each member of Nomination Committee during the reporting year is set out in the section "Attendance Record of Directors and Committee Members".

(4) Remuneration Committee

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012 and 25 August 2017. The Remuneration Committee currently comprises 4 members. As at the date of this report, the chairman of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. Cheong Ying Chew, Henry, Mr. Hung Ka Hai, Clement and Ms. Lin Wei Ping. Except for Ms. Lin Wei Ping who is an executive Director, the remaining 3 members of the Remuneration Committee are independent non-executive Directors.

The major duties of the Remuneration Committee set out in its terms of reference are summarised as follows:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- to produce and approve disclosure statements of the Company's remuneration policy and other disclosures in relation to the Remuneration Committee and its work as required by applicable laws and rules where necessary.

The Remuneration Committee held 3 meetings during the reporting year for the purposes of, including but not limited to, the following:

- reviewed and made recommendation to the Board on bonus and special bonus payable to the Directors and senior management of the Company; and

- reviewed and made recommendation to the Board on the renewal of service contracts of three executive Directors.

The attendance record of each member of Remuneration Committee during the reporting year is set out in the section "Attendance Record of Directors and Committee Members".

(5) Remuneration Policy of the Group

The remuneration policy of the Group is formulated to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. Details of the share option schemes of the Company and Share Award Scheme are set out in the sections "Share Options of the Company" and "Awarded Shares of the Company" in the Directors' Report, notes 41 and 42 to the consolidated financial statements.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, performance of the Directors and prevailing market conditions. They include incentive bonus primarily based on the results of the Group, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, nor any of his/her associates and executive, is involved in deciding his/her own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience of individuals. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training, retention and recruitment programmes, and encouraging staff for self-development and improvements. The Group uses the "key performance indicators", a methodical system, to monitor and evaluate the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies by establishing a measurable benchmark.

The Board recognises that the future success of the Group depends largely on its ability to build up a team of high calibre professional managers as its human resource capital. The Group is committed to building up such human resource capital to enhance its assets for ensuring future growth.

The remuneration of the individual Directors and the 5 highest paid individuals are set out in notes 12 and 13 to the consolidated financial statements.

Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control reviews, interim reviews and annual audits. These are the most efficient way in assessing the effectiveness of the Board in managing the business and affairs of the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of business affairs and of the results and cash flow of the Group for the reporting year. In preparing the consolidated financial statements, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the year covered by the consolidated financial statements;
- made judgments and estimates that were prudent and reasonable, and ensured the consolidated financial statements were prepared on a going concern basis; and
- ensured that the consolidated financial statements were prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognises that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensible vision of the performance, position and prospects of the Group in all corporate communications. The Company's management provides the Board with monthly updates giving a balanced and understandable assessment of the Group's business and financial performance in sufficient detail to enable the Board to discharge their duties.

The statement of Messrs Deloitte Touche Tohmatsu, being the external auditors of the Company, reporting their responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 68 to 74 to this annual report.

Internal Controls

The Board acknowledges its responsibility to ensure that a sound and effective risk management and internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- achieve business objectives and safeguard assets against unauthorised use or disposition;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and manage, rather than eliminate, risks of failure in operational systems, and to ensure achievement of the Group's objectives.

The Board had performed annual review on the effectiveness and adequacy (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions) of the Group's risk management and internal control systems, including but not limited to changes in the any risks since last year's review, the scope and quality of management's ongoing review on risk management and internal control systems of the Group; result of internal audit work; significant failures or weaknesses identified and their impacts on the Group during the reporting year; and the financial reporting and status of compliance with the Listing Rules by the Group, in accordance with its internal control framework set out below with the assistance of the Risk Management Department.

Risk Management and Internal Control Framework

The internal control framework established by the Board is highlighted as follows:

(1) *Distinct Organisational Structure*

To allow delegation of authority as well as to enhance accountability, a distinct organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Division/Department heads are involved in preparing the strategic plan and the operation plan based on the corporate strategies and annual operational and financial targets determined by the Board. Both of the strategic plan and the annual operating plan laid down the foundation for preparation of the annual budgets, which identify and prioritise business opportunities with reference to the resources allocation.

During the reporting year, the Group continued to implement a series of corporate reorganisation programmes in order to achieve a unit chain of command and improve the operation flow. With the continuous focus on the unit chain of command, the Group anticipates to attain better controls and effectively monitor the management, operational and financial processes.

(2) *Comprehensive Management Reporting*

A comprehensive management reporting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken, if necessary, to rectify the deficiencies noted. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.

(3) *Regular Risk Assessment*

Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and compliance risk that may have an impact on the business of the Group. The Risk Management Department evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

(4) *Regulated Cash and Treasury Management*

The Group maintains a sound system and clear authority limit to ensure daily cash and treasury operations meet the relevant policies and rules established by the Group.

(5) *Regular Reviews by Risk Management Department and Internal Audit Department*

The Risk Management Department was established by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organisational goals and objectives by striving to provide a positive impact on:

- efficiency and effectiveness of operating functions;

- reliability of financial reporting;
- status of implementation and effectiveness of the internal control policies and procedures; and
- compliance with applicable laws and regulations.

The Risk Management Department also has a role to assist the Board and the Audit Committee to ensure that the Company maintains a sound system of internal controls by:

- reviewing all aspects of the Group's activities and internal controls with unrestricted right of access;
- conducting comprehensive audits of the practices and procedures of the Group;
- conducting comprehensive audits of income and expenditure, internal controls of all business units of the Group;
- conducting comprehensive audits of cash and operational management for various sales offices on a regular basis with the support by the Internal Audit Department; and
- conducting special reviews and investigations of concerned areas identified by the Board or the management.

The Head of Risk Management has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. The Head of Risk Management is invited to attend the Audit Committee meetings and has the right to bring appropriate matters identified during the course of the risk assessment and the internal audits to the attention of the Audit Committee. This reporting structure allows the Risk Management Department to maintain its independence and to have free access to all members of the Board.

During the reporting year and up to the date of this report, the work performed by the Risk Management Department includes:

- reviewed and evaluated major business cycles of several business units; and
- reviewed the effectiveness of all material aspects of the risk management and internal control systems of the Group.

The Internal Audit Department was established since 1996 mainly for examining and evaluating the operations and compliance status of the sales offices and branches in the mainland China TV business unit, which is the largest cash flow and revenue contributor of the Group. Besides, it also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group. During the reporting year, the Internal Audit Department also carried out the audit of certain major business units, in order to enhance the management and operational efficiency. Currently, the Internal Audit Department has approximately 26 staff members, most of them continuously travel all over mainland China and overseas to perform their internal audit work.

During the reporting year, the Internal Audit Department issued over 26 reports to the Board and senior management on its regular reviews of operations and compliance audits of certain business units, sales offices and branches as well as reports on senior staff leaving their positions.

Internal Audit Plan

The Risk Management Department, by considering current status and future development of the Group, would submit an internal audit annual plan (the "IA Annual Plan") to the Audit Committee and the Board for review and approval, in order to match with the business strategy of the Group.

Risk Management and Internal Control Review

During the reporting year, the Board, through the work performed by the Risk Management Department, conducted a review on the system of internal controls in accordance with the IA Annual Plan, which covers material controls, including financial, operational and compliance controls and risk management functions. The results of the review indicated that the system of risk management and internal controls of the Group is effective and adequate notwithstanding that there were some improvement opportunities identified. The Board would consider and evaluate those improvement opportunities identified by the Risk Management Department and make corresponding changes to the current system as and when appropriate. The Board would continue to review and improve the internal control system in fulfilment of Group's business objective.

External Auditor

The Group's external auditor is Messrs Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("Deloitte"). The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. The Board and the Audit Committee satisfied Deloitte of their findings, independence, objectivity and effectiveness in the annual audit and their audit fees. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 68 to 74 of this annual report. Up to the date of this report, the Audit Committee has considered and approved the engagement of Deloitte as auditor of the Group for the reporting year and the corresponding audit fee estimation.

Details of the fees paid or payable by the Group to Deloitte in respect of their audit and other non-audit services for the reporting year are as follows:

Nature of services	**2021** ***RMB million***	2020 *RMB million*
Audit service *(Note 1)*	**8** *(Note 1)*	8 *(Note 2)*
Non-audit services *(Notes 2 & 3)*	**21** *(Note 2)*	19 *(Note 3)*
Total	**29**	27

Notes:

1. This represents the auditors' remuneration for the audit of the 2021 and 2020 consolidated financial statements respectively as set out in Note 11 of the Company's 2021 audited consolidated financial statements.

2. The non-audit services provided by the auditors to the Group during the financial year ended 31 December 2021 mainly included (i) review of the Group's 2021 interim and quarterly reports, advice relating to the proposed spin-off of a subsidiary of the Company during the reporting year and other audit-related assurance services; (ii) advice relating to tax; and (iii) other advisory fees in connection with the Group's finance data management platform and finance workflows optimisation projects.

3. The non-audit services provided by the auditors to the Group during the financial year ended 31 December 2020 mainly included (i) review of the Group's 2020 interim and quarterly reports, advice relating to the proposed spin-off of another subsidiary of the Company during the reporting year and other audit-related assurance services; (ii) advice relating to tax; and (iii) other advisory fees in connection with the Group's finance data management platform.

Company Secretary

Mr. Lam Shing Choi, Eric ("Mr. Lam") was appointed as the Company Secretary since 1 December 2013. The biographical details of Mr. Lam are set out under the section headed "Directors and Senior Management Profiles" of this annual report.

During the reporting year, Mr. Lam has untaken no less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Corporate Communication with Stakeholders

The Company has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, and the institutional and individual shareholders of the Company. The main features of the system are that:

- the Company maintains a website on which comprehensive information about the Group, including corporate structure, management profile, products and services provided, financial reports, announcements and news of the Group, are disclosed;

- the Company establishes and maintains different communication channels with its stakeholders through publication of annual and interim reports, announcements and press releases. To promote effective communication, the shareholders of the Company can obtain corporate communication electronically via the Company's corporate website http://investor.skyworth.com/en/index.php;

- the annual general meeting of the Company provides a good forum for the shareholders to exchange views with the Board. The Chairman of the Board as well as chairman of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, members of the committees will be available to answer questions which may be raised by the shareholders of the Company;

- separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors;

- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders despatched prior to the date of the relevant general meeting. The circular also includes relevant details of proposed resolutions;

- the Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness;

- the poll results are published on the website of Hong Kong Exchanges and Clearing Limited and on the Company's website http://investor.skyworth.com/en/index.php; and

- the Company publishes its own newsletter, which report up-to-date corporate strategy and business development of the Group, on a regular basis for internal circulation.

Shareholders' Right

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Pursuant to the bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the voting right at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner.

The procedures for shareholders of the Company to convene a special general meeting and put forward proposals at shareholders' meetings are available on the website of the Company, and a summary of which is as follows:

Shareholders can submit a requisition to move a resolution at general meetings pursuant to the Companies Act 1981 of Bermuda. The number of shareholders necessary for a requisition shall be:

- either representing not less than one-twentieth (5%) of the total voting rights of the Company having on the date of the requisition; or

- not less than 100 shareholders of the Company.

The written requisitions must:

- state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;

- be signed by all the requisitionists (may consist of several documents in like form each signed by one or more requisitionists); and

- be deposited at the head office of the Company in Hong Kong for the attention of the Company Secretary.

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the Company Secretary at the Company's Hong Kong office at Rooms 1601-04, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Shareholders of the Company can also make enquiries to the Board directly at the general meetings.

Constitutional Documents

During the reporting year, there was no change in the Company's constitutional documents.

* *For identification purpose only.*

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Members of Skyworth Group Limited
創維集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Skyworth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 202, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS – *continued*

Key audit matter

Write-down for inventories of smart TV system and smart white appliances businesses

We identified the write-down for inventories of smart TV system and smart white appliances businesses of the Group as a key audit matter due to the significance of inventories of these businesses to the consolidated statement of financial position as a whole, combined with significant management judgement associated with the assessment of write-down for inventories.

As disclosed in notes 4 and 25 to the consolidated financial statements, inventories of the Group as at 31 December 2021 comprised of raw materials, work in progress and finished goods amounting to RMB2,308 million, RMB1,226 million and RMB4,257 million, of which a substantial portion is related to the Group's smart TV system and smart white appliances businesses. As further disclosed in note 4 to the consolidated financial statements, an expense of RMB132 million was recognised in profit or loss to write down the cost of inventories to their net realisable values, of which a substantial portion is related to the Group's smart TV system and smart white appliances businesses during the year ended 31 December 2021.

As disclosed in note 4 to the consolidated financial statements, the assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, estimated cost of completion and costs necessary to make the sale.

How our audit addressed the key audit matter

Our procedures in relation to the write-down for inventories of smart TV system and smart white appliances businesses include:

- Obtaining an understanding of management's process of carrying out the assessment of write-down of inventories;
- Evaluating the basis of write-down for inventories assessed by management;
- Assessing the appropriateness of the estimated selling prices of the inventories by tracing to recent or subsequent usage/sales of the same products, on a sample basis;
- Evaluating the reasonableness of management's estimated cost of completion and costs necessary to make the sale and tracing to the supporting documents, on a sample basis; and
- Testing the integrity of the inventory ageing report used as a basis to calculate the provision.

KEY AUDIT MATTERS *– continued*

Key audit matter

Estimated provision of expected credit losses for trade receivables

We identified the estimated provision of expected credit losses for trade receivables as a key audit matter due to the significance of trade receivables to the consolidated statement of financial position as a whole, combined with significant management estimation associated with the assessment of impairment of trade receivables.

As disclosed in note 27 to the consolidated financial statements, the aggregate carrying amount of trade receivables at amortised cost and at fair value through other comprehensive income is RMB9,146 million (net of allowance for credit losses of RMB709 million). An impairment loss of RMB374 million was recognised in profit or loss during the year ended 31 December 2021.

As disclosed in note 4 to the consolidated financial statements, the impairment loss assessment requires significant management estimation in determining the expected credit losses for trade receivables. The Group uses provision matrix, through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, size and background of debtors, business relationships with the debtors and repayment history and/or past due status of respective trade receivables, to calculate expected credit losses for trade receivables. The estimated loss rates are based on the historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs. In addition, trade receivables that are credit-impaired are assessed for expected credit losses individually with reference to the estimated cash flows to be recovered discounted at the original effective interest rate of the relevant trade debts.

How our audit addressed the key audit matter

Our procedures in relation to estimated provision of expected credit losses for trade receivables included:

- Obtaining an understanding of management’s process of assessing the expected credit losses of trade receivables;
- Evaluating the appropriateness of groupings of trade debtors having similar loss patterns in the provision matrix and testing the integrity of the information used by management to develop the provision matrix;
- Evaluating the reasonableness of management’s determination of the estimated loss rates in different categories in the provision matrix with reference to historical default rates and publicly available forward-looking information; and
- Evaluating the reasonableness of management’s determination of allowance for credit losses for credit-impaired trade receivables with reference to, where applicable, internal credit ratings, size and background of debtors, business relationship with the debtors, the estimated subsequent settlements and other factors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2022

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi except for earnings per share data and otherwise stated

	NOTES	2021	2020
Revenue			
Sales of goods		**50,439**	39,657
Leases		**467**	406
Interest under effective interest method		**22**	30
Total revenue	5	**50,928**	40,093
Cost of sales		**(42,380)**	(32,929)
Gross profit		**8,548**	7,164
Other income	7	**1,284**	1,233
Other gains and losses	8	**724**	965
Selling and distribution expenses		**(3,981)**	(3,477)
General and administrative expenses		**(1,479)**	(1,415)
Research and development expenses		**(2,097)**	(1,865)
Finance costs	9	**(461)**	(440)
Share of results of associates and joint ventures		**14**	15
Profit before taxation		**2,552**	2,180
Income tax expense	10	**(587)**	(345)
Profit for the year	11	**1,965**	1,835
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(9)**	45
Fair value loss on trade receivables at fair value through other comprehensive income ("FVTOCI")		**(17)**	(24)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI		**21**	17
Income tax relating to item that will be reclassified subsequently		**–**	1
		(5)	39
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on investments in equity instruments at FVTOCI		**381**	(299)
Income tax relating to item that will not be reclassified subsequently		**(57)**	47
		324	(252)
Other comprehensive income (expense) for the year		**319**	(213)
Total comprehensive income for the year		**2,284**	1,622

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi except for earnings per share data and otherwise stated

	NOTE	2021	2020
Profit for the year attributable to:			
Owners of the Company		**1,634**	1,440
Non-controlling interests		**331**	395
		1,965	1,835
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,936**	1,225
Non-controlling interests		**348**	397
		2,284	1,622
Earnings per share (expressed in Renminbi cents)			
Basic	15	**62.11**	49.23
Diluted	15	**62.03**	44.46

Consolidated Statement of Financial Position

At 31 December 2021

Amounts expressed in millions of Renminbi

	NOTES	2021	2020
Non-current Assets			
Property, plant and equipment	16	**6,619**	5,803
Right-of-use assets	17	**2,539**	2,470
Deposits paid for purchase of property, plant and equipment		**426**	132
Investment properties	18	**1,487**	1,566
Goodwill	19	**465**	447
Other intangible assets	20	**100**	99
Interests in associates and joint ventures	21	**267**	214
Financial assets at fair value through profit or loss ("FVTPL")	22	**1,318**	1,032
Equity instruments at FVTOCI	22	**1,593**	1,216
Loan receivables	23	**25**	598
Deferred tax assets	24	**683**	498
Other non-current assets	28	**309**	1
		15,831	14,076
Current Assets			
Inventories	25	**7,791**	6,004
Stock of properties	26	**5,612**	5,045
Financial assets at FVTPL	22	**1,538**	616
Trade and bills receivables	27	**12,142**	13,651
Other receivables, deposits and prepayments	28	**4,092**	3,017
Loan receivables	23	**977**	1,115
Prepaid tax		**159**	119
Pledged and restricted bank deposits	29	**2,128**	1,627
Bank balances and cash	29	**10,611**	8,214
		45,050	39,408
Assets classified as held for sale		**–**	200
		45,050	39,608

Consolidated Statement of Financial Position

At 31 December 2021

Amounts expressed in millions of Renminbi

	NOTES	2021	2020
Current Liabilities			
Trade and bills payables	30	**11,869**	11,899
Other payables	31	**6,092**	4,672
Other financial liabilities	32	**375**	224
Lease liabilities	33	**56**	54
Contract liabilities	34	**3,291**	3,107
Provision for warranty	35	**224**	205
Deferred income	36	**210**	180
Tax liabilities		**239**	265
Bank borrowings	37	**8,892**	7,401
Corporate bonds	39	**77**	–
		31,325	28,007
Liabilities associated with assets classified as held for sale		**–**	84
		31,325	28,091
Net Current Assets		**13,725**	11,517
Total Assets less Current Liabilities		**29,556**	25,593
Non-current Liabilities			
Other payables	31	**83**	–
Other financial liabilities	32	**340**	201
Lease liabilities	33	**95**	141
Provision for warranty	35	**135**	97
Deferred income	36	**265**	270
Bank borrowings	37	**5,370**	3,986
Convertible bonds	38	**956**	913
Corporate bonds	39	**798**	874
Deferred tax liabilities	24	**428**	120
		8,470	6,602
NET ASSETS		**21,086**	18,991
Capital and Reserves			
Share capital	40	**273**	273
Reserves		**17,772**	16,037
Equity attributable to owners of the Company		**18,045**	16,310
Non-controlling interests		**3,041**	2,681
		21,086	18,991

The consolidated financial statements on pages 75 to 202 were approved and authorised for issue by the board of directors on 22 March 2022 and are signed on its behalf by:

LAI WEIDE
DIRECTOR

LIU TANGZHI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account *(Note (a))*	Capital reserves *(Note (b))*	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Balance at 1 January 2020	308	3,292	95	10	(83)	442	40	1,753	(84)	10,219	15,992	28	2,123	2,151	18,143
Profit for the year	–	–	–	–	–	–	–	–	–	1,440	1,440	–	395	395	1,835
Fair value loss on receivables and equity instruments at FVTOCI, net of tax	–	–	–	–	–	(272)	–	–	–	–	(272)	–	(3)	(3)	(275)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	–	–	–	–	–	17	–	–	–	–	17	–	–	–	17
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	40	–	40	–	5	5	45
Total comprehensive (expense) income for the year	–	–	–	–	–	(255)	–	–	40	1,440	1,225	–	397	397	1,622
Recognition of equity-settled share-based payments *(note 42)*	–	–	13	40	–	–	–	–	–	–	53	3	–	3	56
Lapse of share options	–	–	(1)	–	–	–	–	–	–	1	–	–	–	–	–
Transfer to capital reserves	–	–	–	–	–	–	–	147	–	(147)	–	–	–	–	–
Shares vested under the share award schemes of the Company and a subsidiary of the Company	–	–	–	(50)	83	–	–	–	–	(33)	–	(31)	80	49	49
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(96)	(96)	(96)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	11	11	11
Return of capital to a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)	(7)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(18)	(18)	(18)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	126	126	126
Conversion of convertible bond issued by a subsidiary *(note 38)*	–	–	–	–	–	–	–	–	–	29	29	–	43	43	72
Transfer of equity instrument at FVTOCI from a non-wholly owned subsidiary to a wholly-owned subsidiary	–	–	–	–	–	(22)	–	–	–	–	(22)	–	22	22	–
Repurchase of shares *(note 40)*	(35)	(932)	–	–	–	–	–	–	–	–	(967)	–	–	–	(967)
Balance at 31 December 2020	273	2,360	107	–	–	165	40	1,900	(44)	11,509	16,310	–	2,681	2,681	18,991

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account *(Note (a))*	Capital reserves *(Note (b))*	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Balance at 1 January 2021	273	2,360	107	-	-	165	40	1,900	(44)	11,509	16,310	-	2,681	2,681	18,991
Profit for the year	-	-	-	-	-	-	-	-	-	1,634	1,634	-	331	331	1,965
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(26)	-	(26)	-	17	17	(9)
Fair value gain on receivables and equity instruments at FVTOCI, net of tax	-	-	-	-	-	307	-	-	-	-	307	-	-	-	307
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	-	-	-	-	-	21	-	-	-	-	21	-	-	-	21
Total comprehensive income (expense) for the year	-	-	-	-	-	328	-	-	(26)	1,634	1,936	-	348	348	2,284
Recognition of equity-settled share-based payments *(note 42)*	-	-	4	-	-	-	-	-	-	-	4	-	-	-	4
Exercise of share options	2	84	(20)	-	-	-	-	-	-	-	66	-	-	-	66
Repurchase of shares *(note 40)*	(2)	(114)	-	-	-	-	-	-	-	-	(116)	-	-	-	(116)
Purchase of shares for unvested shares under the share award scheme *(note 42)*	-	-	-	-	(79)	-	-	-	-	-	(79)	-	-	-	(79)
Transfer to capital reserves	-	-	-	-	-	-	-	313	-	(313)	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(84)	(84)	(84)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	55	55	55
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(65)	(65)	-	27	27	(38)
Other movements	-	-	-	-	-	-	-	-	-	(11)	(11)	-	14	14	3
Balance at 31 December 2021	273	2,330	91	-	(79)	493	40	2,213	(70)	12,754	18,045	-	3,041	3,041	21,086

Notes:

(a) Surplus account represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserves accounts of Skyworth Investment (Holdings) Limited, a subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000.

(b) Capital reserves represent the People's Republic of China (the "PRC") statutory reserves. Pursuant to the relevant PRC regulations and the relevant Articles of Association of the PRC subsidiaries of the Company, each PRC subsidiary is required to transfer not less than 10% of its post-tax profit to statutory reserve (i.e. capital reserve) as reserve fund until its statutory reserve has reached 50% of its registered capital. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi

	2021	2020
OPERATING ACTIVITIES		
Profit before taxation	**2,552**	2,180
Adjustments for:		
Amortisation of intangible assets	**1**	2
Depreciation of right-of-use assets	**93**	95
Depreciation of property, plant and equipment	**448**	476
Depreciation of investment properties	**79**	71
Dividend income	**–**	(29)
Finance costs	**461**	440
Government grants related to assets recognised	**(92)**	(145)
Impairment loss recognised in respect of financial assets	**299**	179
Interest income	**(317)**	(305)
Loss (gain) on derivative component of convertible bonds	**153**	(241)
Gain from changes in fair value of financial assets at FVTPL	**(1,212)**	(345)
Gain on disposal of subsidiaries	**–**	(724)
Loss on disposal of property, plant and equipment	**2**	74
Provision for warranty	**334**	272
Share-based payment expenses	**4**	56
Share of results of associates and joint ventures	**(14)**	(15)
Write-down of inventories	**132**	64
Others	**58**	146
Operating cash flows before movements in working capital	**2,981**	2,251
Settlement of derivative financial instruments	**(10)**	(1)
Increase in inventories	**(1,689)**	(814)
Increase in stock of properties	**(567)**	(874)
Decrease in trade and bills receivables	**1,327**	926
Increase in trade receivables at FVTOCI	**(181)**	(407)
Increase in other receivables, deposits and prepayments	**(1,294)**	(515)
Increase in loan receivables	**–**	(97)
(Decrease) increase in trade and bills payables	**(47)**	1,772
Increase in other payables	**1,338**	418
Increase in contract liabilities	**184**	1,120
Decrease in provision for warranty	**(271)**	(239)
Increase (decrease) in deferred income	**20**	(18)
Cash generated from operations	**1,791**	3,522
Interest received	**57**	30
Hong Kong income tax refunded (paid)	**8**	(4)
Overseas income tax paid	**(52)**	(1)
PRC income tax paid	**(526)**	(391)
Land appreciation tax paid	**(34)**	(19)
NET CASH FROM OPERATING ACTIVITIES	**1,244**	3,137

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

Amounts expressed in millions of Renminbi

	NOTES	2021	2020
INVESTING ACTIVITIES			
Interest received		**260**	275
Acquisition of right-of-use assets		**(179)**	(198)
Purchase of and deposit paid for property, plant and equipment		**(1,918)**	(1,463)
Proceeds on disposal of property, plant and equipment		**321**	121
Investment in an associate		**(54)**	(35)
Investments in financial assets at FVTPL		**(2,807)**	(799)
Proceeds on disposal of financial assets at FVTPL		**2,811**	707
Loan advanced		**(1,455)**	(723)
Repayments of loan receivables		**2,176**	1,156
Placement of other deposits		**(680)**	–
Refund of other deposits		**680**	–
Placement of pledged and restricted bank deposits		**(2,002)**	(1,627)
Withdrawal of pledged and restricted bank deposits		**1,501**	1,296
Net cash inflow from disposal of subsidiaries	44	**–**	853
Other investing cash flows		**126**	192
NET CASH USED IN INVESTING ACTIVITIES		**(1,220)**	(245)
FINANCING ACTIVITIES			
Dividends paid		**(84)**	(96)
Interest paid		**(349)**	(375)
Repurchases of shares by the Company	40	**(116)**	(967)
Exercise of share options		**66**	–
Purchase of shares for unvested shares under the share award scheme of the Company	42	**(79)**	–
New borrowings raised		**13,080**	18,361
Repayments of borrowings		**(10,223)**	(15,151)
Payments of lease liabilities		**(78)**	(79)
New corporate bond raised, net of transaction costs	39	**–**	797
Repayment of corporate bonds		**–**	(1,913)
Other financing cash flows		**149**	(14)
NET CASH FROM FINANCING ACTIVITIES		**2,366**	563
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,390**	3,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**8,214**	4,806
Bank balances and cash transferred to assets held for sale		**–**	(74)
Effect of foreign exchange rate changes		**7**	27
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**10,611**	8,214

1. GENERAL INFORMATION

Skyworth Group Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and most of its subsidiaries.

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 54 and 21 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* ("HKFRS 3") so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("HKAS 37") or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

New and amendments to HKFRSs in issue but not yet effective – *continued*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation* ("HKAS 32").

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2021, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB956 million and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB172 million as at 31 December 2021, both of which are classified as non-current as set out in note 38. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the derivative component amounting to RMB1,128 million would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2021.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

New and amendments to HKFRSs in issue but not yet effective – *continued*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment* ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.1 Basis of preparation of consolidated financial statements – *continued*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Basis of consolidation- *continued*

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Business combination or asset acquisition – *continued*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* ("HKAS 12") and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Business combination or asset acquisition – *continued*

Business combinations – continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and OCI are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Interests in associates and joint ventures – *continued*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets (and disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Revenue from contracts with customers – *continued*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration (i.e. sales rebate), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Revenue from contracts with customers – *continued*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for defective products, the Group recognises all of the following:

- revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);
- a refund liability/contract liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of machineries, equipment, motor vehicles and properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories, stock of properties and construction in progress.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases *– continued*

The Group as a lessee – continued

Right-of-use assets – *continued*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *– continued*

3.2 Significant accounting policies *– continued*

Leases *– continued*

The Group as a lessee – continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in HKFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases *– continued*

The Group as a lessor – continued

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

- Operating leases

  The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

- Finance leases

  The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope of HKFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes, the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulated expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Share-based payment arrangements – *continued*

Equity-settled share-based payment transactions – continued

Share award

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares and Skyworth Digital Co., Ltd. ("Skyworth Digital", a subsidiary of the Company)'s shares held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated profits.

At the end of each reporting period, the Group revisits its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of tax profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, transfer from owner-occupied property to investment property does not change the carrying amount of the property transferred and it does not change the cost of that property for measurement or disclosure purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Intangible assets – *continued*

Internally-generated intangible assets – research and development expenditure – continued

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain and loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment losses on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful life are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, investment properties, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Impairment losses on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill – *continued*

In testing a cash-generating unit for impairment, corporate assets are allocated to relevant cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amount of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Stock of properties

Properties under development which are intended to be sold upon completion of development and stock of completed properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, stock of completed properties/properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to completed properties upon completion.

Provision for warranty

Provision for warranty is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as provision for warranty is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contract for sale of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Classification and subsequent measurement of financial assets – *continued*

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Classification and subsequent measurement of financial assets – *continued*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loan receivables, trade and bills receivables, other receivables, pledged and restricted bank deposits), bank balances and finance lease receivables which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

The Group always recognises lifetime ECL for trade receivables and finance lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

(i) Significant increase in credit risk – continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group performs impairment assessment under ECL model on financial assets at amortised cost individually for credit impaired balances or collectively based on provision matrix for the remaining balances taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – *continued*

(v) Measurement and recognition of ECL – continued

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Internal credit ratings;
- Size and background of debtors;
- Business relationships with the debtors; and
- Repayment history and/or past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

<u>Financial liabilities at amortised cost</u>

Financial liabilities including trade and bills payables, other payables, bank borrowings, debt component of convertible bonds, corporate bonds and some of other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial liabilities – continued

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Write-down for inventories

Inventories are stated at the lower of cost and net realisable values. As at 31 December 2021, the carrying amount of the Group's inventories is RMB7,791 million (2020: RMB6,004 million), of which a substantial portion is related to the Group's smart TV systems and smart white appliances businesses. During the year ended 31 December 2021, an expense of RMB132 million (2020: RMB64 million) was recognised in profit or loss to write down the cost of inventories to their net realisable values, of which a substantial portion is related to the Group's smart TV systems and smart white appliances businesses.

At the end of each reporting period, management carries out the assessment of write-down of inventories by comparing the carrying amounts of inventories with the net realisable values. The net realisable values are primarily made reference to the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Moreover, management also writes down for slow moving inventories. The identification of slow moving inventories is based on the inventory ageing and recent or subsequent usages/sales. The assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, costs to completion and costs necessary to make the sale. If the estimates are inaccurate, write down for inventories may increase or decrease accordingly.

Fair value measurement of financial instruments

The Group's financial assets at FVTPL that are either unlisted (including unlisted equity securities and unlisted investment funds) or listed but with restriction for sale amount to RMB2,699 million (2020: RMB1,243 million) and unlisted equity instruments at FVTOCI amount to RMB1,470 million (2020: RMB1,088 million).

For listed equity securities with restriction for sale, trading of such shares on the relevant stock exchanges is prohibited for pre-determined periods. These shares and other unlisted financial instruments are measured at fair values with fair value being determined based on unobserved inputs using valuation techniques. In estimating the fair value of unlisted equity securities, unlisted investment funds and listed equity securities with restriction for sale, the Group engaged independent qualified external valuers to perform the valuation and worked with the independent qualified external valuers to establish inputs to the valuation. The fair value of these unlisted equity instruments and listed equity securities with restriction for sale was mainly arrived at by using market approach. The valuations are dependent on certain significant unobservable inputs that involve judgements, including trading multiples of comparable companies and discounts for lack of marketability (for unlisted equity instruments) or discount for prohibition for trading (for listed equity securities with restriction for sale). Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 52(d) for further disclosures.

Estimated provision of ECL for trade receivables

The Group uses provision matrix, through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, size and background of debtors, business relationships with the debtors and repayment history and/or past due status of respective trade receivables, to calculate ECL for its trade receivables. The estimated loss rates are based on the historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs. At every reporting date, the estimated loss rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit-impaired are assessed for ECL individually with reference to the estimated cash flows to be recovered discounted at the original effective interest rate of the relevant trade debts.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated provision of ECL for trade receivables – *continued*

The aggregate carrying amount of trade receivables at amortised cost and at FVTOCI is RMB9,146 million, net of allowance for credit losses of RMB709 million (2020: RMB9,162 million, net of allowance for credit losses of RMB388 million). An impairment loss of RMB374 million (2020: RMB7 million) was recognised in the profit or loss on trade receivables during the year ended 31 December 2021.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 52(b) and 27 respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers, leases and interest under effective interest method

For the year ended 31 December 2021

	Multimedia business *RMB million*	Smart systems technology business *RMB million*	Smart appliances business *RMB million*	New energy business *RMB million*	Modern services and others *RMB million*	Total *RMB million*
Type of goods						
Smart TV systems	22,565	216	–	–	106	22,887
Home access systems	57	7,174	–	–	–	7,231
Smart white appliances	62	–	3,925	–	18	4,005
Intelligent manufacturing	1,114	2,070	–	–	–	3,184
Internet value-added services of Coocaa system	1,234	–	–	–	–	1,234
Sales of properties	–	–	–	–	1,851	1,851
Automotive electronic system	–	194	–	–	–	194
Photovoltaic products	–	–	–	4,077	–	4,077
Others *(Note (a))*	2,338	1,200	450	24	1,764	5,776
Contracts with customers	27,370	10,854	4,375	4,101	3,739	50,439
Leases	–	57	–	–	410	467
Interest under effective interest method *(Note (b))*	–	–	–	–	22	22
Segment revenue	27,370	10,911	4,375	4,101	4,171	50,928
Timing of revenue recognition for contract with customers						
A point in time	26,668	10,854	4,375	4,101	3,477	49,475
Over time	702	–	–	–	262	964
Total	27,370	10,854	4,375	4,101	3,739	50,439

5. REVENUE – *continued*

(i) Disaggregation of revenue from contracts with customers, leases and interest under effective interest method – *continued*

For the year ended 31 December 2020 (restated)

	Multimedia business *RMB million*	Smart systems technology business *RMB million*	Smart appliances business *RMB million*	New energy business *RMB million*	Modern services and others *RMB million*	Total *RMB million*
Type of goods						
Smart TV systems	20,525	172	–	–	89	20,786
Home access systems	50	5,299	–	–	–	5,349
Smart white appliances	67	–	3,882	–	1	3,950
Intelligent manufacturing	123	1,693	–	–	–	1,816
Internet value-added services of Coocaa system	1,056	–	–	–	–	1,056
Sales of properties	–	–	–	–	305	305
Automotive electronic system	–	104	–	–	–	104
Photovoltaic products	–	–	–	104	–	104
Others *(Note (a))*	2,646	1,418	336	–	1,787	6,187
Contracts with customers	24,467	8,686	4,218	104	2,182	39,657
Leases	–	60	–	–	346	406
Interest under effective interest method *(Note (b))*	–	–	–	–	30	30
Segment revenue	24,467	8,746	4,218	104	2,558	40,093
Timing of revenue recognition for contract with customers						
A point in time	23,885	8,686	4,218	104	1,987	38,880
Over time	582	–	–	–	195	777
Total	24,467	8,686	4,218	104	2,182	39,657

Notes:

(a) *Others mainly represents manufacture and sales of lighting products, security system, other electronic products and trading of other products, etc.*

(b) *Amount represents interest income from loan receivables and finance lease receivables under group entities in which the loan financing is a principal activity.*

5. REVENUE – *continued*

(ii) Performance obligations for contracts with customers

Manufacture and sales of goods

The Group manufactures and sells smart TV systems, home access systems (mainly digital set-top boxes), smart white appliances, intelligent manufacturing (mainly LCD modules), lighting products, automotive electronic systems, security system and other electronic products and sells photovoltaic products and other products to the wholesale customers or directly to retail customers either through its own retail outlets and through internet sales.

For sales to the wholesale customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

For sales to retail customers through the Group's own retail outlets, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlets. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For sales to retail customers through internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Sales to customers are either due for payment on delivery or with credit term of normally no more than 270 days.

The amount of consideration the Group receives and revenue the Group recognises vary with changes in sales rebates the Group offers to the customers. The Group estimates the sales rebates based on analysis of historical experience, and adjusts for the most likely amount of consideration to be received. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebate which is estimated based on experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Provision for rebates (included in other payables) are recognised for expected rebates to customers in relation to sales made at the end of the reporting period.

Under the Group's standard contract terms, customers have a right to exchange defective products within specified periods. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The directors consider that there will have no significant reversal of revenue as of the end of the reporting period for exchange of products.

Sales-related warranties associated with certain products that cannot be purchased separately and serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

5. REVENUE – *continued*

(ii) Performance obligations for contracts with customers – *continued*

Internet value-added services of Coocaa system

Revenue from provision of content services is either recognised based on the services transferred to date relative to the remaining services promised under the contract or recognised over the subscription period/contract period when the services are provided through the online platform. The customers are required to pay upfront for the subscription fees. The subscription/contract periods are generally less than one year.

The Group also provides advertising services to both advertising agencies and clients on the Coocaa system. Revenue from provision of advertising services is recognised at a point in time when the advertisement is displayed in the Coocaa system.

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the directors of the Company consider that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives not less than 20% of the contract value as deposits from customers for the sales of properties when they sign the sale and purchase agreements and the remaining of the contract value is paid before the completion of the sales of the properties. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of the properties.

The Group considers the advance payment scheme does not contain significant financing component. For contracts where the period between payment and transfer of the associated properties is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of sales of properties to within one year and more than one year as at 31 December 2021 amounts to RMB2,098 million and RMB94 million respectively (2020: RMB1,845 million and RMB1,262 million respectively).

For other types of revenue, the expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker ("CODM") (i.e. the executive directors of the Company). Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

To better reflect the expansion of the Group's new energy business, assessment of performance of this business sector and allocation of resources thereto, the CODM separated out the new energy business from the multimedia business in the Group's internal reports. This led to a change in the segment reporting for the comparable period. Specifically, the Group's reportable segments under HKFRS 8 Operating Segments in the current year are as follows:

1. Multimedia business – manufacture and sale of smart TV systems for the PRC and overseas markets, provision of internet value-added services of Coocaa system, among others

2. Smart systems technology business – manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems, lighting products, security system and other electronic products

3. Smart appliances business – manufacture and sale of smart white appliances and other smart appliances such as smart air conditioners, smart refrigerators, smart washing machines, smart kitchen appliances, among others

4. New energy business – sale and installation of distributed photovoltaic power stations in the customer-side retail sector in the PRC market for residential uses

Each of the operating segments under multimedia, smart systems technology, smart appliances and new energy businesses include operations of manufacturing and/or sales of various products under the respective businesses. Each of these operations is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments as set out above in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

In addition to the above operating and reportable segments, the Group has other operating segments which mainly include sales of properties, loan financing, leasing of properties and trading of other products, among others. These operating segments individually do not meet any of the quantitative thresholds for determining reportable segments in both current and prior year. Accordingly, these operating segments are grouped as "Modern services and others".

6. SEGMENT INFORMATION – *continued*

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM no longer reviews such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

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

	Multimedia business *RMB million*	Smart systems technology business *RMB million*	Smart appliances business *RMB million*	New energy business *RMB million*	Total reportable segments *RMB million*	Modern services and others *RMB million*	Eliminations *RMB million*	Total *RMB million*
For the year ended 31 December 2021								
Revenue								
Segment revenue from external customers	27,370	10,911	4,375	4,101	46,757	4,171	–	50,928
Inter-segment revenue	106	240	90	1	437	4,832	(5,269)	–
Total segment revenue	27,476	11,151	4,465	4,102	47,194	9,003	(5,269)	50,928
Results								
Segment results	236	268	61	286	851	1,157	–	2,008
Interest income								295
Other gains or losses								1,067
Unallocated corporate income								46
Unallocated corporate expenses								(417)
Finance costs								(461)
Share of results of associates and joint ventures								14
Consolidated profit before taxation of the Group								2,552

6. SEGMENT INFORMATION – *continued*

Segment revenue and results – *continued*

	Multimedia business *RMB million*	Smart systems technology business *RMB million*	Smart appliances business *RMB million*	New energy business *RMB million*	Total reportable segments *RMB million*	Modern services and others *RMB million*	Eliminations *RMB million*	Total *RMB million*
For the year ended 31 December 2020 (restated)								
Revenue								
Segment revenue from external customers	24,467	8,746	4,218	104	37,535	2,558	–	40,093
Inter-segment revenue	112	218	53	–	383	4,532	(4,915)	–
Total segment revenue	24,579	8,964	4,271	104	37,918	7,090	(4,915)	40,093
Results								
Segment results	631	399	96	(25)	1,101	217	–	1,318
Interest income								275
Other gains or losses								1,194
Unallocated corporate income								138
Unallocated corporate expenses								(320)
Finance costs								(440)
Share of results of associates and joint ventures								15
Consolidated profit before taxation of the Group								2,180

As a result of collection in the year ended 31 December 2020 upon the finalisation of settlement with the relevant government authority, an amount of RMB358 million was adjusted to revenue in the same year for sales made in prior years. Accordingly, the net amount of RMB286 million (after deducting related expenses) was recognised and included in the segment result of multimedia business segment.

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

6. SEGMENT INFORMATION – *continued*

Other segment information

	Multimedia business *RMB million*	Smart systems technology business *RMB million*	Smart appliances business *RMB million*	New energy business *RMB million*	Total reportable segments *RMB million*	Modern services and others *RMB million*	Total *RMB million*
For the year ended 31 December 2021							
Included in measure of segment results:							
Amortisation of intangible assets	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Depreciation of property, plant and equipment	**70**	**129**	**72**	**–**	**271**	**177**	**448**
Depreciation of right-of-use assets	**29**	**25**	**2**	**3**	**59**	**34**	**93**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**–**	**79**	**79**
(Gain) loss on disposal of property, plant and equipment, net	**–**	**(2)**	**4**	**–**	**2**	**–**	**2**
Impairment loss recognised (reversed) in respect of trade receivables at amortised cost and at FVTOCI	**26**	**294**	**(1)**	**–**	**319**	**55**	**374**
Impairment loss reversed in respect of bills receivables	**(55)**	**(19)**	**–**	**–**	**(74)**	**–**	**(74)**
Impairment loss reversed in respect of loan receivables	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Impairment loss recognised in respect of other financial assets	**7**	**2**	**–**	**–**	**9**	**–**	**9**
Write-down of inventories	**92**	**35**	**4**	**1**	**132**	**–**	**132**
For the year ended 31 December 2020							
Included in measure of segment results:							
Amortisation of intangible assets	2	–	–	–	2	–	2
Depreciation of property, plant and equipment	97	164	70	–	331	145	476
Depreciation of right-of-use assets	36	24	2	–	62	33	95
Depreciation of investment properties	–	–	–	–	–	71	71
Loss (gain) on disposal of property, plant and equipment, net	6	(1)	–	–	5	69	74
Impairment loss recognised (reversed) in respect of trade receivables at amortised cost and at FVTOCI	56	(54)	6	–	8	(1)	7
Impairment loss recognised in respect of bills receivables	55	21	–	–	76	–	76
Impairment loss recognised in respect of loan receivables	–	–	–	–	–	78	78
Impairment loss recognised (reversed) in respect of other financial assets	3	(6)	–	–	(3)	21	18
Write-down of inventories	34	31	–	–	65	(1)	64

6. SEGMENT INFORMATION – *continued*

Geographical information

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

For segments other than sales of properties included in modern service and others, the Group's geographical analysis of revenue from external customers is determined based on the location of customers. For sales of properties included in modern service and others, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by physical location of the assets is also detailed below.

	Revenue from external customers		Non-current assets *(Note (a))*	
	2021 ***RMB million***	2020 *RMB million*	**2021** ***RMB million***	2020 *RMB million*
PRC	**33,220**	24,583	**11,649**	10,173
Asia (other than the PRC) *(Note (b))*	**11,214**	9,429	**292**	472
Europe	**1,928**	1,890	**36**	15
Americas	**1,626**	1,424	**–**	–
Africa	**1,318**	1,225	**–**	–
Other regions	**1,622**	1,542	**47**	71
	50,928	40,093	**12,024**	10,731

Notes:

(a) Non-current assets excluded financial instruments and deferred tax assets.

(b) Asia (other than the PRC) mainly includes Vietnam, Indonesia and India, each of which individually contributed less than 10% of total revenue.

Information about major customers

There was no customer who individually accounted for over 10% of the total revenue during any of the current or prior year.

7. OTHER INCOME

	2021 *RMB million*	2020 *RMB million*
Government grants *(note 36)*		
– related to assets	**92**	145
– related to expense items	**349**	357
	441	502
Interest income from		
– bank deposits	**189**	138
– loan receivables	**71**	136
– others	**35**	1
	295	275
Value-added-tax (“VAT”) refund	**258**	299
Others	**290**	157
	1,284	1,233

8. OTHER GAINS AND LOSSES

	2021 *RMB million*	2020 *RMB million*
Other gains (losses) comprise of:		
Exchange (loss) gain, net	**(51)**	73
Gain from changes in fair value of financial assets at FVTPL	**1,212**	345
Changes in fair value of derivative financial instruments		
– (loss) gain on derivative component of convertible bonds *(note 38)*	**(153)**	241
– gain (loss) from changes in fair value of other derivative financial instruments	**8**	(97)
Gain on disposal of subsidiaries (note 44)	**–**	724
Loss on disposal of property, plant and equipment	**(2)**	(74)
Impairment loss (recognised) reversed, net, in respect of		
– trade receivables	**(374)**	(7)
– bills receivables	**74**	(76)
– loan receivables	**10**	(78)
– other financial assets	**(9)**	(18)
Others	**9**	(68)
	724	965

9. FINANCE COSTS

	2021 **RMB million**	2020 RMB million
Interest on:		
– borrowings	**339**	255
– convertible bonds *(note 38)*	**51**	49
– corporate bonds *(note 39)*	**49**	115
– others	**22**	21
	461	440

10. INCOME TAX EXPENSE

	2021 **RMB million**	2020 RMB million
Tax charge (credit):		
PRC Enterprise Income Tax ("EIT")	**454**	404
PRC land appreciation tax ("LAT")	**34**	1
PRC withholding tax	**–**	22
Hong Kong Profits Tax	**14**	10
Taxation arising in other jurisdictions	**36**	19
Deferred taxation	**49**	(111)
	587	345

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

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 EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. Pursuant to Caishui [2018] No. 99 and Caishui [2021] No. 13, certain PRC subsidiaries are entitled to an additional 100% (2020: 75%) tax deduction on eligible research costs incurred by them for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE – *continued*

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 *RMB million*	2020 *RMB million*
Profit before taxation	**2,552**	2,180
Tax at applicable tax rate at 25% *(Note)*	**638**	545
Tax effect of expenses not deductible for tax purpose	**100**	130
Tax effect of income not taxable for tax purpose	**(27)**	(99)
Tax effect of additional tax deduction of research costs	**(151)**	(116)
Tax effect of tax losses and deductible temporary difference not recognised	**120**	143
Utilisation of tax losses previously not recognised	**(63)**	(195)
Tax effect of share of results of associates and joint ventures	**(4)**	(4)
PRC LAT	**34**	1
Tax effect of PRC LAT	**(9)**	–
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**(1)**	(1)
Tax effect of income tax at concessionary rate	**(52)**	(39)
Others	**2**	(20)
Income tax expense for the year	**587**	345

Note: The applicable tax rate is with reference to the prevailing PRC tax rate of 25% under the EIT Law and Implementation Regulation of the EIT Law for the year.

11. PROFIT FOR THE YEAR

	2021 RMB million	2020 RMB million
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB132 million (2020: RMB64 million)	**40,987**	32,555
Cost of stock of properties recognised as an expense	**1,189**	222
Depreciation of right-of-use assets	**140**	141
Less: capitalised as cost of inventories	**(2)**	(3)
capitalised as cost of construction in progress	**(45)**	(43)
	93	95
Depreciation of investment properties	**79**	71
Depreciation of property, plant and equipment	**686**	703
Less: capitalised as cost of inventories	**(238)**	(227)
	448	476
Amortisation of intangible assets	**1**	2
Staff costs:		
– Directors' and chief executive's emoluments *(note 12)*	**88**	72
– Related staff costs for research and development activities	**1,129**	937
– Other staffs salaries, bonus, retirement benefits and others	**3,479**	3,274
	4,696	4,283
Less: capitalised as		
– Cost of inventories	**(1,153)**	(1,063)
– Stock of properties	**(13)**	(5)
– Property, plant and equipment	**(2)**	(11)
	3,528	3,204
Auditors' remunerations	**8**	8
Provision for warranty *(note 35)*	**334**	272
Rental income from leases less related outgoings of RMB204 million (2020: RMB125 million)	**(263)**	(281)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2021 *RMB'000*	2020 *RMB'000*
Directors' fees	**3,809**	4,084
Other emoluments:		
Basic salaries and allowances	**13,028**	10,403
Performance related incentive payments *(Note)*	**69,277**	36,354
Retirement benefits scheme contributions	**412**	272
Share-based payments	**1,331**	20,731
	87,857	71,844

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments for any of the current or prior year.

The emoluments paid or payable to each of the directors and the chief executive of the Company are set out below:

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Performance related incentive payments *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021						
Executive directors *(Note (a))*:						
Lai Weide	499	2,125	120	29,383	605	32,732
Lin Wei Ping	499	2,493	94	8,482	–	11,568
Lin Jin	499	1,664	39	6,355	–	8,557
Liu Tangzhi *(Note (b))*	499	3,114	93	10,499	605	14,810
Shi Chi	–	2,037	51	9,832	–	11,920
Lam Shing Choi, Eric	499	1,595	15	4,726	121	6,956
	2,495	13,028	412	69,277	1,331	86,543
Independent non-executive directors *(Note (c))*:						
Cheong Ying Chew, Henry	438	–	–	–	–	438
Li Weibin	438	–	–	–	–	438
Hung Ka Hai, Clement	438	–	–	–	–	438
	1,314	–	–	–	–	1,314
Total directors' emoluments	3,809	13,028	412	69,277	1,331	87,857

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Performance related incentive payments *RMB'000*	Share-based payments *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020						
Executive directors *(Note (a))*:						
Lai Weide	498	3,096	70	12,144	10,590	26,398
Lin Wei Ping	498	1,494	94	3,924	–	6,010
Lin Jin	498	1,116	23	1,782	–	3,419
Liu Tangzhi *(Note (b))*	498	2,116	51	7,208	5,961	15,834
Shi Chi	264	1,585	18	9,119	1,895	12,881
Lam Shing Choi, Eric	418	996	16	2,177	2,285	5,892
	2,674	10,403	272	36,354	20,731	70,434
Independent non-executive directors *(Note (c))*:						
Cheong Ying Chew, Henry	470	–	–	–	–	470
Li Weibin	470	–	–	–	–	470
Hung Ka Hai, Clement	370	–	–	–	–	370
Li Ming *(Note (d))*	100	–	–	–	–	100
	1,410	–	–	–	–	1,410
Total directors' emoluments	4,084	10,403	272	36,354	20,731	71,844

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the Group.

(b) Liu Tangzhi is the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.

(c) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(d) Li Ming retired as an independent non-executive director of the Company on 18 March 2020.

13. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included four (2020: four) existing directors, details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining highest paid employee who is neither an existing director nor chief executive of the Company are as follows:

	2021 *RMB million*	2020 *RMB million*
Basic salaries, allowances and benefits in kind	3	1
Performance related incentive payments *(Note)*	8	4
Share-based payments	–	2
	11	7

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the individual.

The number of the highest paid employee who is not a director of the Company whose remuneration fell within the following bands is as follows:

	2021 No. of employee	2020 No. of employee
HK$7,500,001 to HK$8,000,000	–	1
HK$13,500,001 to HK$14,000,000	1	–

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employee) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

14. DIVIDEND

	2021 *RMB million*	2020 *RMB million*
Dividend recognised as distribution during the year: 2021 final dividend – 23 HK cents (2020: nil) per share	497	–

Subsequent to the end of the reporting period, a final cash dividend in respect of the year ended 31 December 2021 of 23 HK cents (2020: nil) per ordinary share, in an aggregate amount of RMB497 million (2020: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

No interim dividend was paid or proposed during the years ended 31 December 2021 and 2020.

15. 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:

	2021 **RMB million**	2020 RMB million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**1,634**	1,440
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange *(note 42)*	**–**	(2)
Effect of dilutive potential ordinary shares on convertible bonds of Skyworth Digital	**–**	(129)
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**1,634**	1,309

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,630,727,623**	2,924,914,748
Effect of dilutive potential ordinary shares in respect of outstanding share options of the Company	**3,682,946**	–
Effect of dilutive potential ordinary shares in respect of outstanding share awards of the Company	**–**	19,059,481
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,634,410,569**	2,943,974,229

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options (2020: all share options are assumed not to be exercised) as the exercise prices are higher than the average market price per share for the year ended 31 December 2021. The computation of diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of convertible bonds of Skyworth Digital as the conversion of convertible bonds would result in an increase in earnings per share of the Company for the year ended 31 December 2021.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the repurchase of shares and has been arrived at after deducting shares held by share award scheme trust as set out in note 42.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB million	Construction in progress RMB million	Plant and machinery RMB million	Furniture, equipment, motor vehicles and others RMB million	Total RMB million
COST					
At 1 January 2020	5,983	946	2,596	1,437	10,962
Additions	72	958	418	279	1,727
Acquisition of a subsidiary	34	–	8	–	42
Disposal of subsidiaries *(note 44)*	(306)	(224)	(11)	(1)	(542)
Disposals	(156)	–	(354)	(100)	(610)
Reclassification	734	(745)	11	–	–
Transfer to assets classified as held for sale	(80)	–	(10)	(28)	(118)
Transfer to investment properties	(1,740)	–	–	–	(1,740)
Exchange realignment	(7)	–	(3)	(3)	(13)
At 31 December 2020	**4,534**	**935**	**2,655**	**1,584**	**9,708**
Additions	**198**	**1,086**	**361**	**185**	**1,830**
Reclassification	**351**	**(282)**	**89**	**(158)**	**–**
Disposals	**(7)**	**–**	**(164)**	**(205)**	**(376)**
Exchange realignment	**(5)**	**–**	**(4)**	**(3)**	**(12)**
At 31 December 2021	**5,071**	**1,739**	**2,937**	**1,403**	**11,150**
DEPRECIATION					
At 1 January 2020	1,634	–	1,402	886	3,922
Provided for the year	245	–	256	202	703
Eliminated on disposals	(89)	–	(245)	(81)	(415)
Disposal of subsidiaries *(note 44)*	(122)	–	(8)	–	(130)
Transfer to assets classified as held for sale	(34)	–	(5)	(18)	(57)
Transfer to investment properties	(107)	–	–	–	(107)
Exchange realignment	(5)	–	(5)	(1)	(11)
At 31 December 2020	**1,522**	**–**	**1,395**	**988**	**3,905**
Provided for the year	**258**	**–**	**271**	**157**	**686**
Reclassification	**123**	**–**	**6**	**(129)**	**–**
Eliminated on disposals	**(1)**	**–**	**(2)**	**(50)**	**(53)**
Exchange realignment	**(2)**	**–**	**(3)**	**(2)**	**(7)**
At 31 December 2021	**1,900**	**–**	**1,667**	**964**	**4,531**
CARRYING VALUES					
At 31 December 2021	**3,171**	**1,739**	**1,270**	**439**	**6,619**
At 31 December 2020	3,012	935	1,260	596	5,803

16. PROPERTY, PLANT AND EQUIPMENT – *continued*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases or 20 to 50 years
Plant and machinery	10% to 50%
Furniture, equipment, motor vehicles and others	20% to 50%

The carrying values of leasehold land and buildings and construction in progress shown above comprise:

	2021 *RMB million*	2020 *RMB million*
Leasehold land and buildings:		
In the PRC	**3,133**	2,958
In Hong Kong	**12**	17
Overseas	**26**	37
	3,171	3,012
Construction in progress:		
In the PRC	**1,739**	935
	4,910	3,947

17. RIGHT-OF-USE ASSETS

For the years ended 31 December 2021 and 2020, the Group leases various offices, warehouses and retail stores for its operations. Lease contracts for leased properties are entered into for fixed term of 1 to 15 years, and majority of the contracts have no extension or termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

	Leasehold lands *RMB million*	Leased properties *RMB million*	Total *RMB million*
As at 31 December 2021			
Carrying amount	**2,395**	**144**	**2,539**
As at 31 December 2020			
Carrying amount	2,282	188	2,470

	2021 ***RMB million***	2020 *RMB million*
Expense relating to short-term leases	**123**	85
Total cash outflow for leases	**390**	371
Additions to right-of-use assets	**237**	326
Additions through acquisition of a subsidiary	**–**	23
Disposal through disposals of subsidiaries	**–**	235

The Group regularly entered into short-term leases mainly for buildings, motor vehicles and office equipment. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Details of the depreciation charges of the Group's right-of-use assets are set out in note 11.

Restrictions or covenants on leases

Lease liabilities of RMB151 million (2020: RMB195 million) are recognised with related right-of-use assets of RMB144 million (2020: RMB188 million) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Save as set out in note 45, leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 33.

18. INVESTMENT PROPERTIES

	RMB million
COST	
At 1 January 2020	5
Transfer from property, plant and equipment	1,741
At 31 December 2020 and 31 December 2021	**1,746**
DEPRECIATION	
At 1 January 2020	1
Transfer from property, plant and equipment	108
Provided for the year	71
At 31 December 2020	180
Provided for the year	79
At 31 December 2021	**259**
CARRYING VALUES	
At 31 December 2021	**1,487**
At 31 December 2020	1,566

The above investment properties are depreciated on a straight-line basis over the shorter of the terms of the leases or 20 to 50 years.

The investment properties shown above represent leasehold land and buildings in Hong Kong and the PRC.

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 5 to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

During the year ended 31 December 2020, the Group's investment properties amounting to RMB1,633 million were transferred from property, plant and equipment as a result of end of owner-occupation and represent leasehold land and buildings in the PRC.

18. INVESTMENT PROPERTIES – *continued*

Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2021 was RMB4,564 million (2020: RMB4,402 million). The fair values at 31 December 2021 and 2020 have been arrived at based on valuations carried out by ValQuest Advisory (Hong Kong) Limited, an independent valuer not connected with the Group.

At 31 December 2021 and 2020, the fair value of the investment properties located in Hong Kong is determined based on direct comparison method whereby comparison based on price information of comparable properties is obtained. Comparable properties of similar size, types of properties and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values and the valuation is classified as Level 3 of the fair value hierarchy.

At 31 December 2021 and 2020, the valuation of the investment properties located in the PRC is arrived at using income capitalisation method, by capitalising the estimated market rents of the property by referring to the rentals of comparable properties in the subject locality using appropriate capitalisation rates, and is classified as Level 3 of the fair value hierarchy.

	Carrying amount 31 December		Level 3 fair value 31 December		Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
	2021 *RMB million*	2020 *RMB million*	2021 *RMB million*	2020 *RMB million*				
Industrial properties located in the PRC	**1,483**	1,562	**4,522**	4,369	Income capitalisation method – the estimated market rent of the property	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of property, and prevailing market condition, of 7% (2020: 6%)	The higher the capitalisation rate used would result in an increase in fair value	A slight increase in the market unit rate used would result in a significant increase in fair value, and vice versa
Industrial properties located in Hong Kong	**4**	4	**42**	33	Direct comparison method – market unit rate	Market unit rate, taking into account the size and location, between investment properties, ranging from RMB6,808 per sq. ft. to RMB7,735 per sq. ft. (2020: RMB6,375 per sq. ft. to RMB7,517 per sq. ft.	The higher the market unit rate, the higher the fair value	A slight increase in the market unit rate used would result in a significant increase in fair value, and vice versa
	1,487	1,566	**4,564**	4,402				

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

19. GOODWILL

	2021 **RMB million**	2020 RMB million
Arising from acquisition of :		
– Skyworth Digital *(Note (a))*	**286**	286
– Strong Media Group Limited ("Strong Media") *(Note (b))*	**77**	84
– others	**102**	77
	465	447

For the purposes of impairment testing, goodwill has been allocated to individual cash-generating units ("CGUs").

During the year ended 31 December 2021, management of the Group determines that there is no impairment of any of its CGUs containing goodwill (2020: nil).

The basis of the recoverable amounts of the CGUs of Skyworth Digital and Strong Media and their major underlying assumptions are summarised below:

(a) For the purpose of impairment testing on the goodwill arising from acquisition of Skyworth Digital for the operation of digital set-top boxes business for the years ended 31 December 2021 and 2020, the recoverable amount of the CGU has been determined by the fair value less cost of disposal. The fair value less cost of disposal of the CGU is determined with reference to the share price of Skyworth Digital at 31 December 2021 and 2020, less the transaction costs for disposing the shares of Skyworth Digital.

(b) For the purpose of impairment testing on the goodwill arising from acquisition of Strong Media and intangible assets with indefinite useful life as disclosed in note 20 have been allocated to this CGU, the recoverable amount of the CGU has been determined by a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 14.30% (2020: 14.30%). Cash flows beyond the five-year period are extrapolated with zero (2020: zero) growth. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation, have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

20. OTHER INTANGIBLE ASSETS

	Patents *RMB million* *(Note (a))*	Trademarks *RMB million* *(Note (b))*	Total *RMB million*
CARRYING VALUES			
At 31 December 2021	**3**	**97**	**100**
At 31 December 2020	2	97	99

Notes:

(a) The patents have finite useful lives and are amortised at 10% to 20% on a straight-line basis.

(b) Trademarks of RMB88 million were purchased as part of a business combination related to Strong Media during the year ended 31 March 2016 and of RMB9 million as part of another business combination during the year ended 31 December 2020.

The trademarks have legal lives ranging from 10 to 21 years but are renewable upon expiration at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the management of the Group considers that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows to the Group. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Details of impairment testing for the trademarks related to Strong Media are set out in note 19.

21. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2021 **RMB million**	2020 RMB million
Interests in associates *(Note (a))*	**250**	197
Interests in joint ventures *(Note (b))*	**17**	17
	267	214

Notes:

(a) *The following set out the particulars of the associate of the Group as at 31 December 2021 and 2020 which, in the opinion of the directors, principally affected the results or net assets of the Group.*

Name of associate	Form of business structure	Place of registration and operation	Paid up registered capital	**Effective interest held by the Group** As at 31 December 2021	As at 31 December 2020	Principal business
天津光電通信技術有限公司	Equity joint venture	The PRC	RMB108,640,824	**35%**	35%	Manufacturing and sales of electronic and telecommunication products

All of the Group's associates are accounted for using the equity method in these consolidated financial statements. The Group considers none of its associates is individually material. The aggregate information of associates that are not individually material is as follows:

	2021 ***RMB million***	2020 *RMB million*
The Group's share of profit and total comprehensive income for the year	**14**	15

(b) *The Group's joint ventures are accounted for using the equity method in these consolidated financial statements. The Group considers none of its joint ventures is individually material nor principally affected the results or net assets of the Group. The aggregate information of joint ventures that are not individually material is as follows:*

	2021 ***RMB million***	2020 *RMB million*
The Group's share of profit and total comprehensive income for the year	**–**	–

22. FINANCIAL ASSETS AT FVTPL/EQUITY INSTRUMENTS AT FVTOCI

	2021 **RMB million**	2020 RMB million
Financial assets at FVTPL		
Listed equity securities, at fair values		
– in the PRC	**1,246**	396
Unlisted equity securities, at fair values		
– in the PRC	**1,316**	1,076
Unlisted securities, at fair values		
– Investment funds	**282**	167
Derivative financial instruments *(note 52(d))*	**12**	9
	2,856	1,648
Analysed for reporting purpose as		
Non-current assets	**1,318**	1,032
Current assets	**1,538**	616
	2,856	1,648
Equity instruments at FVTOCI *(Note)*		
Unlisted equity securities, at fair values		
– in the PRC	**1,470**	1,088
Listed equity securities, at fair values		
– in Hong Kong	**123**	128
Analysed for reporting purpose as non-current assets	**1,593**	1,216

Note: The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

23. LOAN RECEIVABLES

	2021 RMB million	2020 RMB million
Fixed-rate loan receivables		
Secured	**646**	1,625
Unsecured	**356**	88
	1,002	1,713
Analysed for reporting purpose as		
Non-current assets	**25**	598
Current assets	**977**	1,115
	1,002	1,713

As at 31 December 2021, loan receivables of RMB245 million (2020: RMB539 million) are advanced by certain subsidiaries of the Company with principal activity of loan financing, in which the corresponding interest income is included as revenue. The remaining balances of RMB757 million (2020: RMB1,174 million) are advanced by other subsidiaries, the related interest income is included as other income.

Included in the carrying amount of loan receivables as at 31 December 2021 is allowance for credit losses of RMB124 million (2020: RMB134 million). Details of the impairment assessment are set out in note 52(b).

As at 31 December 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB23 million (2020: RMB20 million) which has been past due 90 days or more as at the reporting date and are secured by equity instruments of an entity related to the relevant loan debtor and properties. The directors of the Company consider credit risks have increased significantly and those with evidence indicating that these debtors are in severe financial difficulties and are considered as credit-impaired.

Included in the Group's loan receivables balance with aggregate carrying amount of RMB646 million (2020: RMB1,625 million) are secured by borrowers' charges over equity instruments, trade receivables, properties, right-of-use assets and plant and machineries.

Included in the carrying amount of loan receivables as at 31 December 2021 is an amount of RMB37 million (2020: RMB160 million) due from a related party controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said party and guaranteed by the said substantial shareholder of the Company, interest bearing at 8% per annum and repayable in instalments up to 25 April 2022.

Included in the carrying amounts of loan receivables as at 31 December 2021 of RMB258 million (2020: RMB415 million) due from third parties and are secured by motor vehicles of these third parties and guaranteed by a substantial shareholder of the Company in respect of amounts owed to the Group, interest-bearing at 8% per annum and repayable in instalments up to final maturity dates ranging from 28 March 2022 to 4 July 2022.

23. LOAN RECEIVABLES – *continued*

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	2021 ***RMB million***	2020 *RMB million*
Fixed-rate loan receivables:		
Within one year	**977**	1,115
More than one year but not exceeding two years	**13**	197
More than two years but not exceeding five years	**12**	401
	1,002	1,713

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate loan receivables	**4.90% – 12.00%**	3.90% – 12.00%

24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 ***RMB million***	2020 *RMB million*
Deferred tax assets	**(683)**	(498)
Deferred tax liabilities	**428**	120
	(255)	(378)

24. DEFERRED TAXATION – *continued*

	2021 RMB million	2020 RMB million
The following are the balances of the major deferred tax liabilities (assets) recognised as at 31 December 2021:		
Fair value adjustments on financial assets at FVTPL and equity instruments at FVTOCI	**360**	103
Accrued sales rebate	**(159)**	(108)
Provision of ECL on financial assets	**(158)**	(123)
Provision of write-down of inventories	**(69)**	(44)
Deferred income	**(28)**	(26)
Provision for warranty	**(58)**	(35)
Tax losses	**(178)**	(126)

25. INVENTORIES

	2021 RMB million	2020 RMB million
Raw materials	**2,308**	2,247
Work in progress	**1,226**	234
Finished goods	**4,257**	3,523
	7,791	6,004

26. STOCK OF PROPERTIES

	2021 RMB million	2020 RMB million
For development	**576**	–
Under development	**4,710**	4,208
Completed	**326**	837
	5,612	5,045

Stock of properties under development amounting to RMB94 million (2020: RMB1,262 million) and the entire balance for development as at 31 December 2021 are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of RMB1,820 million (2020: RMB1,906 million) received from purchasers at the end of the reporting period are included in contract liabilities as disclosed in note 34.

26. STOCK OF PROPERTIES – *continued*

Analysis of leasehold lands:

	2021 RMB million	2020 RMB million
Carrying amount of leasehold lands included in the stock of properties above	4,670	3,655
Total cash outflow for the year	1,015	123
Additions for the year	1,015	123

The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands during the year taking into account the estimated residual values as at the end of the reporting period.

27. TRADE AND BILLS RECEIVABLES

	2021 RMB million	2020 RMB million
Trade receivables at amortised cost		
– goods and services	9,162	9,031
– lease receivables	136	119
	9,298	9,150
Less: allowance for credit losses	(709)	(388)
	8,589	8,762
Trade receivables at FVTOCI	557	400
Bills receivables	2,998	4,565
Less: allowance for credit losses	(2)	(76)
	2,996	4,489
	12,142	13,651

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB9,430 million.

27. TRADE AND BILLS RECEIVABLES – *continued*

The following is an aged analysis of trade receivables at amortised cost and at FVTOCI:

	2021 *RMB million*	2020 *RMB million*
Within 30 days	**4,866**	4,718
31-60 days	**1,716**	2,038
61-90 days	**823**	746
91-180 days	**939**	804
181-270 days	**338**	285
271-365 days	**233**	145
Over 365 days	**231**	426
	9,146	9,162

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,826 million (2020: RMB1,403 million) which are past due as at the reporting date. Out of the past due balances, RMB178 million (2020: RMB452 million) has been past due 90 days or more and is not considered as in default based on historical experience. Other than two land parcels pledged for security of certain trade receivables (2020: nil), the Group does not hold any collateral over these balances.

As at 31 December 2021, included in the Group's trade receivables are amounts due from an associate and a related party of RMB155 million (2020: RMB107 million) and RMB23 million (2020: nil). The credit period is 45 days. No allowance for credit losses is made for the years ended 31 December 2021 and 2020. The following is an aged analysis presented based on the invoice date at the end of the reporting period:

	2021 *RMB million*	2020 *RMB million*
Within 30 days	**141**	55
31 to 60 days	**37**	52
	178	107

For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The dates of issuance of all bills receivables are within one year at the end of the reporting period.

27. TRADE AND BILLS RECEIVABLES – *continued*

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

	2021 RMB million	2020 RMB million
Within 30 days	357	771
31-60 days	465	823
61-90 days	753	1,290
91 days or over	1,355	1,569
Bills endorsed to suppliers with recourse	66	36
	2,996	4,489

As at 31 December 2021, bills receivables above of RMB66 million (2020: RMB36 million) are endorsed to suppliers on a full recourse basis. Since the substantial risks and rewards of the ownership of these bills receivables have not been transferred to the relevant counterparties, the Group continues to recognise the full carrying amounts of these endorsed receivables above and the full carrying amount of the trade payables in note 30.

The maturity dates of these bills endorsed to suppliers with recourse are within one year at the end of the reporting period. All bills receivables at the end of the reporting period are not yet due. These bills receivables and associated liabilities are carried at amortised cost in the Group's consolidated statement of financial position. The directors of the Company consider that the carrying amounts of such bills receivables and associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Details of impairment assessment of trade and bills receivables are set out in note 52(b).

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are analysed as follows:

	2021 *RMB million*	2020 *RMB million*
Purchase deposits paid for materials	**742**	431
VAT and other tax receivables	**1,450**	1,385
Consideration receivable for disposal of a subsidiary	**366**	366
Other deposits paid and prepayments	**760**	294
Other receivables	**1,083**	542
	4,401	3,018
Analysed for reporting purpose as		
Current assets	**4,092**	3,017
Non-current assets	**309**	1
	4,401	3,018

Details of impairment assessment of consideration receivable for disposal of a subsidiary and other receivables are set out in note 52(b).

29. PLEDGED AND RESTRICTED BANK DEPOSITS, AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.01% to 2.75% per annum (2020: 0.01% to 3.00% per annum).

Pledged bank deposit is pledged to secure certain bank borrowings and carries interest at market rate 2.2% per annum (2020: 2.2% per annum).

Included in pledged and restricted bank deposits are balances which, in accordance with the applicable prevailing government regulations, are placed in restricted bank accounts, amounting to RMB491 million (2020: RMB936 million), which can only be applied in the designated property development projects.

Pursuant to agreements entered into by the Group and several customers, a total amount of RMB609 million (2020: nil) has been placed with a designated bank account where any withdrawal therefrom is restricted until the relevant performance obligation borne by the Group is satisfied. The amount is therefore included in the pledged and restricted bank deposits on the consolidated statement of financial position.

In addition, restricted bank deposits amounting to RMB312 million (2020: RMB272 million) represent reserve deposits placed with the People's Bank of China ("PBOC") by a subsidiary of the Company registered as a non-bank financial institution with limited liability established under the relevant PRC law. The balances of these reserve deposits were calculated at certain percentage of qualified deposits placed by customers of that finance company as determined by the PBOC against unexpected events such as unusually large net withdrawal by customers. These reserve deposits are required by local regulation and not available for the Group's daily operations.

Details of impairment assessment are set out in note 52(b).

30. TRADE AND BILLS PAYABLES

	2021 *RMB million*	2020 *RMB million*
Trade payables	**7,426**	7,415
Trade payables under supplier finance arrangements *(Note)*	**1,310**	1,669
Bills payables	**3,133**	2,815
	11,869	11,899

Note: These relate to trade payables in which the suppliers entered into financing arrangements with financial institutions for early settlements. The Group continues to recognise these trade payables as the Group are obliged to make payments to the financial institutions only on due dates of the trade payable, under the same conditions as agreed with the suppliers without further extension.

The following is an aged analysis of trade payables (including those under supplier finance arrangements) based on invoice date at the end of the reporting period:

	2021 *RMB million*	2020 *RMB million*
Within 30 days	**4,571**	4,858
31-60 days	**1,743**	2,228
61-90 days	**970**	879
91 days or over	**1,452**	1,119
	8,736	9,084

The credit periods of trade payables ranged from 30 days to 90 days.

30. TRADE AND BILLS PAYABLES – *continued*

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

	2021 RMB million	2020 RMB million
Within 30 days	**531**	513
31-60 days	**482**	560
61-90 days	**467**	485
91 days or over	**1,653**	1,257
	3,133	2,815

31. OTHER PAYABLES

	2021 RMB million	2020 RMB million
Provision for rebates *(Note)*	**1,369**	1,031
Accrued staff costs	**1,043**	893
Accrued selling and distribution expenses	**268**	265
Deposits received from sub-contractors	**607**	–
Payables for purchase of property, plant and equipment	**445**	284
Rental deposits received	**104**	88
VAT and other tax payables	**396**	287
Other deposits received	**351**	403
Accruals and other payables	**1,592**	1,421
	6,175	4,672
Analysed for reporting propose as		
Current liabilities	**6,092**	4,672
Non-current liabilities	**83**	–
	6,175	4,672

Note: The amounts represent outstanding rebates in relation to the goods sold to certain customers.

32. OTHER FINANCIAL LIABILITIES

	2021 RMB million	2020 RMB million
Advance from a third party *(Note (a))*	**208**	199
Interest-free loan received from government *(Note (b))*	**98**	98
Derivative financial instruments *(note 52(d))*	**278**	128
Others	**131**	–
	715	425
Analysed for reporting purpose as		
Current liabilities	**375**	224
Non-current liabilities	**340**	201
	715	425

Notes:

(a) During the year ended 31 March 2017, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), an indirect wholly owned subsidiary of the Company, entered into an agreement with Beijing iQIYI Science & Technology Co., Ltd ("iQIYI"), a third party not connected to the Group, for a RMB150 million capital injection. Pursuant to the agreement, Shenzhen Coocaa Network Technology Company Limited ("Coocaa Technology"), an indirect non-wholly owned subsidiary of the Company, received the first capital injection of RMB100 million from iQIYI on 2 December 2016. During the year ended 31 March 2018, Coocaa Technology received the second capital injection of RMB50 million from iQIYI.

Based on the terms of the agreement, RGB and iQIYI agreed that if the shares of Coocaa Technology are not listed on any stock exchange within 60 months after 2 December 2016, and the market value of Coocaa Technology is less than RMB3 billion before listing, iQIYI can require RGB to transfer its investments in Coocaa Technology to equivalent value of investments in Skyworth Digital (i.e. RMB150 million), or require RGB to buy back its investment in Coocaa Technology at the original consideration paid plus interest of 8% per annum at the end of 60 months. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of RMB12 million (2020: RMB12 million) has been recognised in respect of this financial liability during the year ended 31 December 2021.

The above 60-month period has expired during the year and the Group is required to settle the financial obligation upon request by iQIYI.

(b) During the year ended 31 December 2019, the Group entered into an interest-free loan agreement with the county government of Quanjiao (全椒縣人民政府), Anhui Province, the PRC, amounted to a total of RMB500 million in supporting the Group's certain capital investments in the Quanjiao County. According to the agreement, a branch of the county government of Quanjiao shall make advances to the Group in stages that is in line with various investment milestones to be achieved by the Group. An amount of RMB98 million has been received by the Group during the year ended 31 December 2019 and the amount is payable within three years from the date of receipt. In the opinion of the directors, the difference between proceeds received and the fair value of the loan is insignificant.

33. LEASE LIABILITIES

	2021 **RMB million**	2020 RMB million
Within one year	**56**	54
More than one year but not exceeding two years	**54**	54
More than two years but not exceeding five years	**41**	84
Over five years	**–**	3
	151	195
Less: amount due for settlement with 12 months shown under current liabilities	**(56)**	(54)
Amount due for settlement after 12 months shown under non-current liabilities	**95**	141

The weighted average incremental borrowing rates applied to lease liabilities range from 2% to 5% (2020: 2% to 6%).

34. CONTRACT LIABILITIES

	2021 **RMB million**	2020 RMB million
Deposits received for:		
– sales of goods and provision of services	**1,471**	1,201
– sales of properties	**1,820**	1,906
	3,291	3,107
Revenue recognised that was included in the contract liabilities at the beginning of the year	**3,074**	1,483

As at 1 January 2020, contract liabilities amounted to RMB1,951 million.

When the Group receives deposits from customers for the sales of goods and provision of services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits. The Group receives 10% to 100% deposit on acceptance of orders from certain customers.

The Group receives not less than 30% of the contract value as deposits from customers for the sales of properties when they sign the sale and purchase agreements and the remaining of the contract value is paid before the completion of the sales of the properties. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of the properties.

35. PROVISION FOR WARRANTY

	2021 RMB million	2020 RMB million
At 1 January	302	272
Additional provision *(note 11)*	334	272
Utilised	(271)	(239)
Exchange realignment	(6)	(3)
At 31 December	359	302
Analysed for reporting purposes as:		
Current liabilities	224	205
Non-current liabilities	135	97
	359	302

The Group provides product warranty to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised by reference to the current defective rate of products sold.

36. DEFERRED INCOME

	2021 RMB million	2020 RMB million
Analysed for reporting purposes as:		
Current liabilities	210	180
Non-current liabilities	265	270
	475	450

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities. The policy has resulted in a credit to profit or loss of RMB441 million (2020: RMB502 million) during the year ended 31 December 2021.

37. BANK BORROWINGS

	2021 *RMB million*	2020 *RMB million*
Bank borrowings comprise the following:		
Secured	**6,853**	4,906
Unsecured	**7,409**	6,481
	14,262	11,387
Fixed-rate borrowings	**12,184**	6,696
Floating-rate borrowings	**2,078**	4,691
	14,262	11,387
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**8,892**	7,401
More than one year but not exceeding two years	**2,043**	1,121
More than two years but not exceeding five years	**2,180**	1,822
Over five years	**1,147**	1,043
	14,262	11,387
Less: Amounts due within one year shown under current liabilities	**(8,892)**	(7,401)
Amounts shown under non-current liabilities	**5,370**	3,986

The Group's variable-rate borrowings carry interest at Euro Interbank Offered Rate ("EURIBOR"), London Interbank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR") in the PRC plus specific margins.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**0.40% to 5.37%**	0.50% to 6.25%
Floating-rate borrowings	**1.11% to 6.83%**	0.71% to 5.46%

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	USD RMB million	EUR *RMB million*
As at 31 December 2021	**4,196**	**88**
As at 31 December 2020	3,798	115

38. CONVERTIBLE BONDS

On 15 April 2019, Skyworth Digital issued 10,400,000 unsecured convertible bonds at a par value of RMB100 each. The convertible bonds are interest bearing at 0.40%, 0.60%, 1.00%, 1.50%, 1.80% and 2.00% per annum for the first, second, third, fourth, fifth and sixth year per annum respectively with a maturity date on the sixth anniversary on the date of their issue (i.e. 15 April 2025) and entitle the holders to convert them, in whole or in part, into ordinary shares of Skyworth Digital at an initial conversion price of RMB11.56 per share (subject to anti-dilutive provision) at any time from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bonds until maturity date. The conversion price shall be adjusted if (i) Skyworth Digital resolved to issue bonus shares, increased its share capital, placing or issue of new shares (other than issue of conversion shares) or the distribution of cash dividends or (ii) subject to the approval by a two-third majority of the shareholders of Skyworth Digital present at a general meeting, the conversion price may be adjusted downwards if the closing price of the A-shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange for at least 10 trading days during a consecutive period of 20 trading days are less than 90% of the prevailing conversion price at that time. Interest will be paid annually up until settlement date. The redemption price will be par value of the convertible bonds and the interest for that period.

Skyworth Digital has the right to redeem all or part of the convertible bonds at any time during the conversion period if the closing prices of Skyworth Digital as quoted on the Shenzhen Stock Exchange for any 15 trading days in a consecutive period of 30 trading days are higher than or equal to 130% of the conversion price at the time or the outstanding amount of the convertible bonds is less than RMB30 million. The bondholders shall have the right to request for Skyworth Digital to repurchase all or any part of the outstanding convertible bonds at the face value together with the coupon rate due for that period if the closing price of Skyworth Digital as quoted on the Shenzhen Stock Exchange is less than 70% of the conversion price at the time for any 30 consecutive trading days during the fifth and sixth year or there is any substantial change to the use of proceeds from the issue of the convertible bonds.

38. CONVERTIBLE BONDS – *continued*

The convertible bonds contain two components, debt component and derivative (including conversion and early redemption options) components. The effective interest rate of the debt component is 5.62%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The movements of the debt and derivative components (included in other financial liabilities) of the convertible bonds for the year are set out as below:

	Debt component *RMB million*	**Derivative component** *RMB million*
At 1 January 2020	924	276
Conversion	(56)	(16)
Interest on convertible bonds *(note 9)*	49	–
Less: included as interest payable on convertible bonds	(4)	–
Fair value change *(note 8)*	–	(241)
At 31 December 2020	**913**	**19**
Interest on convertible bonds *(note 9)*	**51**	**–**
Less: included as interest payable on convertible bonds	**(8)**	**–**
Fair value change *(note 8)*	**–**	**153**
At 31 December 2021	**956**	**172**

39. CORPORATE BONDS

	2021 *RMB million*	2020 *RMB million*
Corporate bonds comprise the following:		
5.36% bonds issued by the Company due in 2022, secured	**77**	77
5.5% bonds issued by a subsidiary of the Company due in 2023, unsecured	**798**	797
	875	874
Analysed for reporting purposes as:		
Current liabilities	**77**	–
Non-current liabilities	**798**	874
	875	874

39. CORPORATE BONDS – *continued*

The movements of the corporate bonds for the year are set out as below:

	2021 *RMB million*	2020 *RMB million*
At 1 January	**874**	1,990
Repayment	**–**	(1,913)
Issued during the year, net of transaction costs	**–**	797
Interest on corporate bonds *(note 9)*	**49**	115
Interest paid	**(48)**	(108)
Increase in interest payable on corporate bonds	**–**	(7)
At 31 December	**875**	874

40. SHARE CAPITAL OF THE COMPANY

	Number of shares	**Share capital** *RMB million*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	**10,000,000,000**	**1,063**
Issued and fully paid:		
At 1 January 2020	3,060,929,420	308
Purchase of own shares for cancellation *(Note (a))*	(392,800,000)	(35)
At 31 December 2020	**2,668,129,420**	**273**
Purchase of own shares for cancellation *(Note (b))*	(29,056,000)	(2)
Issue of shares upon exercise of share options of the Company	28,156,000	2
At 31 December 2021	**2,667,229,420**	**273**

40. SHARE CAPITAL OF THE COMPANY – *continued*

Notes

(a): On 17 June 2020, the Group made an offer to buy back for cancellation up to 392,800,000 shares at the price of HK$2.80 per share (the "Offer"). On 14 September 2020, the Offer was completed and 392,800,000 shares bought-back by the Company were cancelled. The consideration amounting to RMB967 million was paid in cash and was funded by internal resources of the Group.

(b) During the year ended 31 December 2021, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*RMB million*
November 2021	15,630,000	4.99	4.32	63
December 2021	13,426,000	4.91	4.60	53
	29,056,000			116

Details of the movements of share options during the years ended 31 December 2021 and 2020 are set out in note 41.

41. SHARE OPTIONS

The existing Share Option Scheme (the "2014 Share Option Scheme") was approved by the shareholders on 20 August 2014 for the purpose of providing incentives to directors, eligible employees and selected eligible persons. Under the 2014 Share Option Scheme, the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employees, whether full time or part time, of any members of the Group. All of the options, if not otherwise exercised, amended or cancelled, lapsed on 20 August 2024 under the 2014 Share Option Scheme.

Under the 2014 Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the aforesaid scheme of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of the 2014 Share Option Scheme of the Company, if any, must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the 2014 Share Option Scheme or exceed any of the refreshed limit.

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the 2014 Share Option Scheme of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of share options that were granted and remained outstanding under the 2014 Share Option Scheme of the Company is 93,342,000 (2020: 121,498,000), representing approximately 3.50% (2020: 4.55%) of the issued share capital of the Company as at 31 December 2021.

41. SHARE OPTIONS – *continued*

The following tables show the movements in the Company's share options granted under the 2014 Share Option Scheme:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 January 2020	Lapsed during the year	Outstanding at 31 December 2020 and 1 January 2021	Exercised during the year	Outstanding at 31 December 2021
22 January 2016	4.226	22 January 2016 to 30 August 2016	1 September 2016 to 20 August 2024	14,852,000	–	**14,852,000**	(674,000)	**14,178,000**
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	**17,154,000**	(1,374,000)	**15,780,000**
		22 January 2016 to 30 August 2018	1 September 2018 to 20 August 2024	25,692,000	–	**25,692,000**	(288,000)	**25,404,000**
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	**2,500,000**	–	**2,500,000**
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	**2,500,000**	–	**2,500,000**
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	**2,500,000**	–	**2,500,000**
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	**2,500,000**	–	**2,500,000**
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	**500,000**	–	**500,000**
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	**500,000**	–	**500,000**
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	**500,000**	–	**500,000**
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	**500,000**	–	**500,000**
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to to 20 August 2024	22,160,000	(1,440,000)	**20,720,000**	(10,772,000)	**9,948,000**
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	16,620,000	(1,080,000)	**15,540,000**	(7,844,000)	**7,696,000**
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	16,620,000	(1,080,000)	**15,540,000**	(7,204,000)	**8,336,000**
				125,098,000	(3,600,000)	**121,498,000**	(28,156,000)	**93,342,000**

42. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 to account for its share options and share awards, as well as Skyworth Digital's share awards.

	2021 RMB million	2020 RMB million
The Group's share-based payment expenses are as follows:		
Share options of the Company	4	13
Share awards of the Company	–	40
Share awards of Skyworth Digital	–	3
	4	56

Share options of the Company

The particulars of the share option scheme of the Company, and the details of and the movements in share options during the year ended 31 December 2021 and the year ended 31 December 2020 are disclosed in note 41. A summary is presented below:

	2021		2020	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	121,498,000	3.737	125,098,000	3.707
Exercised during the year	(28,156,000)	2.808	–	–
Lapsed during the year	–	–	(3,600,000)	2.680
Outstanding at the end of the year	93,342,000	4.017	121,498,000	3.737
Exercisable at the end of the year	93,342,000		105,458,000	

In respect of the share options exercised during the year, the weighted average share price at dates of exercise was HK$5.289 (2020: nil).

The share options outstanding as at 31 December 2021 have a weighted average remaining contractual life of 2.64 years (2020: 3.64 years) and the exercise prices of which range from HK$2.680 to HK$6.320 (2020: HK$2.680 to HK$6.320).

Share awards of the Company

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest (the "2014 Share Award Scheme").

42. SHARE-BASED PAYMENTS – *continued*

Share awards of the Company – *continued*

During the year ended 31 December 2020, a total of 3,350,000 shares were vested and allotted under the 2014 Share Award Scheme. On 10 November 2020, the Company allotted previously vested 20,905,000 shares that remained in the trust. As at 31 December 2021 and 2020, no share was held for the 2014 Share Award Scheme and the carrying amount accumulated in equity under the heading of "shares held for share award scheme" was zero at these dates. The 2014 Share Award Scheme was terminated by the Board with effect from 31 December 2020 pursuant to the rules of the 2014 Share Award Scheme.

		Movement during the year		
Vesting dates	**Outstanding at 1 January 2020**	**Allotted**	**Lapsed**	**Outstanding at 31 December 2020 and 2021**
30 April 2020	**3,430,000**	**(3,350,000)**	(80,000)	–
Weighted average fair value	**HK$3.63**	**HK$3.63**	HK$3.63	–

On 21 October 2020, an employees' share award scheme (the "2020 Share Award Scheme") was adopted by the Company. The 2020 Share Award Scheme is valid and effective for a period of 10 years commencing from 21 October 2020. Pursuant to the rules of this scheme, the Group has set up a trust for the purpose of administering the 2020 Share Award Scheme and holding the awarded shares before they vest.

During the year ended 31 December 2021, 40,000,000 shares (2020: nil) of the Company were acquired through an independent trustee for the 2020 Share Award Scheme at a total consideration of RMB 79 million (2020: nil). As at 31 December 2021 and 2020, none of the awarded shares under the 2020 Share Award Scheme were granted.

42. SHARE-BASED PAYMENTS – *continued*

Restricted share incentive scheme of Skyworth Digital

The restricted share incentive scheme was approved and adopted by the shareholders of Skyworth Digital on 31 August 2017. The restricted share incentive scheme is valid and effective for a period of 4 years commencing from 31 August 2017.

During the years ended 31 December 2020 and December 2021, no restricted shares of Skyworth Digital have been awarded to any directors and employees of Skyworth Digital and no awarded shares (2020: 14,798,500) were vested and allotted. RMB1 million have been received (included in other payables) for this restricted share incentive scheme as at 31 December 2020.

		Movements during the year		
Vesting dates	Outstanding at 1 January 2020	Allotted	Lapsed	Outstanding at 31 December 2020 and 2021
4 September 2017 to 3 September 2020	12,994,000	(12,572,000)	(294,000)	128,000
11 June 2018 to 11 June 2020	2,249,000	(2,226,500)	(22,500)	–
	15,243,000	(14,798,500)	(316,500)	128,000
Weighted average fair value per share	RMB0.73	RMB0.75	RMB0.60	RMB0.48

No share-based payment expense (2020: RMB3 million) has been recognised in the profit or loss in related to restricted share incentive scheme of Skyworth Digital during the year ended 31 December 2021.

43. RETIREMENT BENEFITS SCHEMES

The employees of the Company's Hong Kong subsidiaries participate in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") or a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK$1,500 per month. The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to profit or loss represent contributions payable to these funds by the Group at rates specified in the rules of these schemes.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The aggregate retirement benefits scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in profit or loss, are as follows:

	2021 ***RMB million***	2020 *RMB million*
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**363**	163
Total retirement benefit scheme contributions	**364**	164

At both 31 December 2021 and 2020, there were no forfeited contributions available to offset future employers' contributions to the schemes.

44. DISPOSAL OF SUBSIDIARIES

Disposal of 廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd.) ("Skyworth Electronics") and 廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.) ("Guangzhou Flat Display") in 2020

On 23 June 2020, the Group completed the disposal of 90% equity interest of a wholly-owned subsidiary, Skyworth Electronics, to an independent third party at a consideration of RMB574 million.

On 25 December 2020, the Group completed the disposal of 90% equity interest of a wholly-owned subsidiary, Guangzhou Flat Display, to an independent third party at a consideration of RMB747 million.

44. DISPOSAL OF SUBSIDIARIES – *continued*

Disposal of 廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd.) ("Skyworth Electronics") and 廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.) ("Guangzhou Flat Display") in 2020 – *continued*

The assets and liabilities over which control were lost at the respective dates of disposals are as follows:

	Skyworth Electronics *RMB million*	Guangzhou Flat Display *RMB million*
Property, plant and equipment	224	188
Right-of-use assets	177	58
Deferred tax assets	–	6
Deposits paid for purchase of property, plant and equipment	12	–
Other receivables, deposits and prepayments	9	4
Bank balances and cash	92	10
Other payables	(26)	(2)
Contract liabilities	(1)	–
Tax liabilities	–	(7)
	487	257

The gain on disposals arising on the disposals are as follows:

	Skyworth Electronics *RMB million*	Guangzhou Flat Display *RMB million*
Cash consideration	574	747
Less: Net assets disposed of	(487)	(257)
Add: Fair value of the remaining 10% equity interest of the investees	64	83
Gain on disposal for the year ended 31 December 2020	151	573

Net cash inflow arising on disposals is as follows:

	Skyworth Electronics *RMB million*	Guangzhou Flat Display *RMB million*
Cash consideration	574	747
Less: bank balances and cash disposed	(92)	(10)
Less: consideration receivable	–	(366)
Net cash inflow for the year ended 31 December 2020	482	371

45. PLEDGE OF AND RESTRICTION ON ASSETS

At 31 December 2021, the Group's borrowings were pledged and secured by the following:

	2021 **RMB million**	2020 RMB million
Right-of-use assets and leasehold land and buildings	**2,774**	2,530
Investment properties	**1,198**	1,263
Stock of properties	**102**	–
Trade receivables	**10**	17
Bills receivables	**66**	720
	4,150	4,530

The pledged and restricted bank deposits amounting to RMB2,128 million (2020: RMB1,627 million) are pledged to secure bank borrowings or placed in restricted bank accounts in accordance with the applicable regulations and requirements. Details of these bank deposits are set out in note 29.

In addition, the Group's corporate bonds are secured by the equity interest of a subsidiary of the Company.

46. CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. The directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

47. OPERATING LEASE ARRANGEMENTS

The Group as lessor

During the year, the Group earned rental income from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to twenty one years.

Minimum lease payments receivable on leases are as follows:

	2021 **RMB million**	2020 RMB million
Within one year	**391**	381
In the second year	**253**	258
In the third year	**166**	194
In the fourth year	**127**	129
In the fifth year	**86**	99
After five years	**293**	365
	1,316	1,426

48. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2021 *RMB million*	2020 *RMB million*
Contracted but not provided for, in respect of acquisition of property, plant and equipment	**1,789**	1,856

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables *RMB million*	Interest payables *RMB million*	Other financial liabilities *RMB million*	Lease liabilities *RMB million*	Bank borrowings *RMB million*	Debt component of convertible bonds *RMB million*	Derivative component of convertible bonds *RMB million*	Corporate bonds *RMB million*	Total *RMB million*
At 1 January 2020	–	42	285	146	8,177	924	276	1,990	11,840
Non cash transactions and movements:									
Dividend recognised as distribution	96	–	–	–	–	–	–	–	96
Finance costs *(note 9)*	–	374	12	9	–	45	–	–	440
New leases entered	–	–	–	128	–	–	–	–	128
Change in fair value of derivative financial instruments *(note 38)*	–	–	–	–	–	–	(241)	–	(241)
Conversion of convertible bonds *(note 38)*	–	–	–	–	–	(56)	(16)	–	(72)
Financing cash flows:									
Dividend paid	(96)	–	–	–	–	–	–	–	(96)
Interest paid	–	(366)	–	(9)	–	–	–	–	(375)
Repayments of lease liabilities	–	–	–	(79)	–	–	–	–	(79)
New bank borrowings raised	–	–	–	–	18,361	–	–	–	18,361
Repayments of bank borrowings	–	–	–	–	(15,151)	–	–	–	(15,151)
New corporate bonds raised, net of transaction costs	–	–	–	–	–	–	–	797	797
Repayment of corporate bonds	–	–	–	–	–	–	–	(1,913)	(1,913)
At 31 December 2020	–	50	297	195	11,387	913	19	874	13,735

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *continued*

	Dividend payables *RMB million*	Interest payables *RMB million*	Other financial liabilities (excluding derivative financial instruments) *RMB million*	Lease liabilities *RMB million*	Bank borrowings *RMB million*	Debt component of convertible bonds *RMB million*	Derivative component of convertible bonds *RMB million*	Corporate bonds *RMB million*	Total *RMB million*
At 31 December 2020	-	50	297	195	11,387	913	19	874	13,735
Non cash transactions and movements:									
Dividend recognised as distribution	84	-	-	-	-	-	-	-	84
Finance costs *(note 9)*	-	8	12	10	339	43	-	49	461
New leases entered	-	-	-	58	-	-	-	-	58
Termination of lease	-	-	-	(24)	-	-	-	-	(24)
Change in fair value of derivative financial instruments *(note 38)*	-	-	-	-	-	-	153	-	153
Transfer to interest payable	-	74	-	-	(74)	-	-	-	-
Exchange realignment	-	-	-	-	(42)	-	-	-	(42)
Financing cash flows:									
Dividend paid	(84)	-	-	-	-	-	-	-	(84)
Interest paid	-	(86)	-	(10)	(205)	-	-	(48)	(349)
Repayments of lease liabilities	-	-	-	(78)	-	-	-	-	(78)
New bank borrowings raised	-	-	-	-	13,080	-	-	-	13,080
Repayments of bank borrowings	-	-	-	-	(10,223)	-	-	-	(10,223)
Increase in other financial liabilities (excluding derivative financial instruments)	-	-	128	-	-	-	-	-	128
At 31 December 2021	-	46	437	151	14,262	956	172	875	16,899

50. NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of leased properties for 2 years to 5 years (2020: 2 years to 5 years). On the lease commencement, the Group recognised RMB58 million right-of-use assets and RMB58 million lease liabilities (2020: RMB128 million right-of-use assets and RMB128 million lease liabilities).

51. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes lease liabilities, bank borrowings, convertible bonds and corporate bonds disclosed in notes 33, 37, 38 and 39, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

52. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB million	2020 RMB million
Financial assets		
Financial assets at amortised cost	**26,967**	25,576
Trade receivables at FVTOCI	**557**	400
Financial assets at FVTPL	**2,856**	1,648
Equity instruments at FVTOCI	**1,593**	1,216
Financial liabilities		
Amortised cost	**31,040**	27,503
Derivative financial instruments	**278**	128

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, loan receivables, trade and bills receivables, trade receivables at FVTOCI, other receivables, pledged and restricted bank deposits, bank balances and cash, trade and bills payables, other payables, lease liabilities, derivative financial instruments, bank borrowings, corporate bonds, convertible bonds and other financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate, interest rate and other price.

Currency risk

Majority of the subsidiaries of the Company operate in Mainland China and most of their transactions are denominated in US$, HK$, EUR and RMB. The Group is exposed to foreign exchange risk primarily through sales and purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currency of the subsidiaries. The Group considers its foreign currency exposure is mainly arising from the exposure of RMB against US$, RMB against HK$, EUR against HK$ and HK$ against RMB. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

The Group also regularly monitors its portfolio of customers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

In addition, the Group enters into foreign currency forward contracts and cross currency swap contracts to eliminate the currency risk exposure. The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(i) Market risk – continued

Currency risk – continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 RMB million	2020 *RMB million*	**2021 RMB million**	2020 *RMB million*
US$	**2,298**	1,853	**4,636**	4,329
HK$	**48**	6	**9**	7
EUR	**43**	6	**88**	98
RMB	**7**	6	**108**	–

Currency risk sensitivity analysis

The directors of the Company considered that the Group's exposure of currency risk on HK$ against RMB, RMB against HK$ and EUR against HK$ is limited as amounts involved are immaterial. Accordingly, no sensitivity to fluctuation in HK$ against RMB, RMB against HK$ or EUR is presented.

The Group exposes to fluctuations in US$ and EUR against RMB. The following table only details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in US$ and EUR against RMB. 5% (2020: 5%) is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2020: 5%) change in foreign currency rates. The foreign currency denominated monetary assets and monetary liabilities mainly include trade and bills receivables, other receivables, bank balances and cash, trade payables, other payables, as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ weakens 5% (2020: 5%) against RMB. For a 5% (2020: 5%) strengthening of US$ against RMB, there would be equal and opposite impact on the profit for the year.

	2021 ***RMB million***	2020 *RMB million*
Profit for the year		
US$ against RMB	**88**	105

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and liabilities, as the exposure at the end of the reporting period does not represent the exposure during the year.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(i) Market risk – continued

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged and restricted bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 37 for details of the bank borrowings).

The Group is exposed to fair value interest rate risk in relation to certain of its pledged and restricted bank deposits, loan receivables, corporate bonds, convertible bonds, other financial liabilities, lease liabilities and bank borrowings which are interest bearing at fixed rates.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook and by entering into interest rate swap contracts to minimise the interest rate risk exposures. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The management considers that the exposure to cash flow interest rate risk in relation to pledged and restricted bank deposits, and bank balances is minimal, accordingly, no sensitivity analysis is presented for both years.

The Group's cash flow interest rate risk is mainly related to the fluctuation of EURIBOR, LIBOR and LPR against the Group's bank borrowings.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for bank borrowings at the end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year. If interest rates on floating-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year would decrease/increase by RMB8 million (2020: RMB18 million).

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(i) Market risk – *continued*

Other price risk

(I) Price risk on listed and unlisted equity securities and unlisted investment funds

The Group is exposed to other price risk through its investments in listed and unlisted equity securities and unlisted investment funds (as disclosed in note 22). In addition, the Group has appointed the management to monitor the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2021 would increase/decrease by RMB124 million (2020: RMB123 million) as a result of the changes in financial assets at FVTPL; and
- FVTOCI reserve would increase/decrease by RMB68 million (2020: RMB94 million) as a result of the changes in fair value of equity instruments at FVTOCI.

(II) Price risk on derivative component of the convertible bonds

For the years ended 31 December 2021 and 2020, the Company is required to estimate the fair value of the derivative component of the convertible bonds (as disclosed in note 38), including conversion and early redemption options, with changes in fair value to be recognised in profit or loss as long as the convertible bonds are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the share price of Skyworth Digital, expected volatility and risk free rate.

Sensitivity analysis

If the share price of Skyworth Digital had been 5% (2020: 5%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by RMB63 million (2020: RMB6 million), as a result of changes in fair value of the derivative component of the convertible bonds.

If the expected volatility of share prices of Skyworth Digital had been 2% (2020: 2%) higher/lower and all other input variables of the valuation model were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by RMB69 million (2020: RMB6 million), as a result of changes in fair value of the derivative component of the convertible bonds.

In management's opinion, the sensitivity analyses above are unrepresentative of the inherent price risk as the pricing model used in the valuation of these derivatives involves multiple variables and certain variables are interdependent.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment

Credit risk management

As at 31 December 2021, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and taking into consideration of the collaterals, if any, from the counterparties.

In order to minimise the credit risk of trade receivable, the management of the Group has certain procedures for determination of credit limits and credit approvals. Before accepting any new customer, the sales department of the Group performs assessments on the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on bills received from customers, the Group will only accept settlement by acceptance bills issued by certain banks with high credit ratings for certain larger customers of the Group, up to pre-determined credit limits set out by the Group. Acceptance bills issued by certain banks in the PRC with lower credit ratings are generally not accepted by the Group. The Group will also monitor and update the credit limits of individual customers by taking into consideration of their credit ratings from time to time. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

The credit risk on other receivables is limited because the directors of the Company closely monitor the settlement therefrom and expect that the general economic conditions will not be significantly changed within 12 months after the reporting date.

For loan receivables, the management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the management, the credit risk for loan receivables is minimised taking into consideration of the estimated values of the collaterals held by the Group and the credit quality of the borrowers.

The pledged and restricted bank deposits and bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment – continued

Credit risk management – continued

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 80% (2020: 76%) and 100% (2020: 100%) of the total trade and bills receivables and loan receivables respectively at the end of the reporting period. The Group has concentration of credit risk as 37% (2020: 25%) of its loan receivables were due from a related party controlled by a substantial shareholder of the Company and the other two largest borrowers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties, customers and industries.

Impairment assessment under HKFRS 9

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
P 1	The counterparty has no history of default or has a low risk of default and is considered to have the strongest financial strength. Typical counterparties include state owned enterprises, listed companies, subsidiaries of listed companies and large private companies with over 3 years business relationship	Lifetime ECL – not credit-impaired	12m ECL *(Note)*
P 2	The counterparty has no history of default or has a low risk of default and is financially strong. Typical counterparties include large private companies with less than 3 years business relationship and small private companies with over 3 years business relationship	Lifetime ECL – not credit-impaired	12m ECL *(Note)*

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment – continued

Impairment assessment under HKFRS 9 – continued

Internal credit rating	Description	Trade receivables	Other financial assets
P 3	The counterparty has no history of default or has a low risk of default but is not included in categories P1 or P2 above. Typical counterparties include small private companies with less than 3 years business relationship	Lifetime ECL – not credit-impaired	12m ECL *(Note)*
P 4	There is evidence indicating the asset is credit-impaired but the Group has realistic prospect of recovery	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
P 5	There is evidence indicating the asset is credit-impaired for more than 12 months and the Group has less prospect of recovery	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
P 6	There is evidence indicating that the debtor is in severe financial difficulty	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: In cases where evidences show significant increase in credit risk since initial recognition through information developed internally or external sources, these other financial assets would be assessed on the basis of lifetime ECL (not credit impaired).

52. FINANCIAL INSTRUMENTS *– continued*

(b) Financial risk management objectives and policies *– continued*

(ii) Credit risk and impairment assessment *– continued*

Impairment assessment under HKFRS 9 – continued

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and FVTOCI which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
				RMB million	*RMB million*	*RMB million*	*RMB million*
Trade and bills receivables	27	P 1	Lifetime ECL – not credit-impaired	8,667		9,188	
		P 2	Lifetime ECL – not credit-impaired	1,149		1,902	
		P 3	Lifetime ECL – not credit-impaired	1,216		1,174	
		P 4	Lifetime ECL – credit-impaired	1,233		1,665	
		P 5	Lifetime ECL – credit-impaired	40		74	
		P 6	Lifetime ECL – credit-impaired	548	12,853	112	14,115
Loan receivables	23	P 1	12m ECL	893		1,534	
		P 2	12m ECL	102		160	
		P 3	12m ECL	8		2	
		P 5	Lifetime ECL – credit-impaired	34		20	
		P 6	Lifetime ECL – credit-impaired	89	1,126	131	1,847
Other receivables	28	P 1	12m ECL	1,431		763	
		P 2	12m ECL	42		4	
		P 3	12m ECL	45		13	
		P 4	Lifetime ECL – credit-impaired	8		1	
		P 5	Lifetime ECL – credit-impaired	2		3	
		P 6	Lifetime ECL – credit-impaired	129	1,657	130	914
Pledged and restricted bank deposits	29	*(Note)*	12m ECL	2,128	2,128	1,627	1,627
Bank balances and cash	29	*(Note)*	12m ECL	10,611	10,611	8,214	8,214

Note: The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment – continued

Impairment assessment under HKFRS 9 – continued

As part of the credit risk management, the Group applies internal credit rating to its customers and other counterparties. The following table provides information about the exposure to credit risk which is assessed based on provision matrix as at the end of the reporting period. Credit-impaired trade and bills receivables, loan receivables, other receivables with gross carrying amounts of RMB1,821 million, RMB123 million and RMB139 million, respectively as at 31 December 2021 (2020: RMB1,851 million, RMB151 million and RMB134 million respectively) were assessed individually.

Internal credit rating	Average loss rate	Gross carrying amount Trade and bills receivables *RMB million*	Loan receivables *RMB million*	Other receivables *RMB million*
As at 31 December 2021				
P 1	0.05%	**8,667**	**893**	**1,431**
P 2	2.74%	**1,149**	**102**	**42**
P 3	5.23%	**1,216**	**8**	**45**
		11,032	**1,003**	**1,518**
As at 31 December 2020				
P 1	0.03%	9,188	1,534	763
P 2	1.94%	1,902	160	4
P 3	4.86%	1,174	2	13
		12,264	1,696	780

The estimated loss rates are estimated based on average of market corporate default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment – *continued*

Impairment assessment under HKFRS 9 – continued

During the year ended 31 December 2021, impairment allowance of RMB374 million (2020: RMB7 million) for trade receivables at amortised cost and reversal of impairment allowance for bills receivables of RMB74 million (2020: impairment allowance of RMB76 million) has been made.

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit – impaired) *RMB million*	Lifetime ECL (credit – impaired) *RMB million*	Total *RMB million*
As at 1 January 2020	130	268	398
Transfer to credit-impaired *(Note (a))*	(2)	2	–
Impairment loss (reversed) recognised, net *(Note (b))*	(40)	123	83
Written-off *(Note (c))*	–	(17)	(17)
As at 31 December 2020	**88**	**376**	**464**
Transfer to credit-impaired *(Note (a))*	**(10)**	**10**	**–**
Impairment loss (reversed) recognised, net *(Note (b))*	**(23)**	**323**	**300**
Written-off *(Note (c))*	**–**	**(53)**	**(53)**
As at 31 December 2021	**55**	**656**	**711**

Notes:

(a) Certain trade receivables are defaulted and transferred to credit-impaired during the years ended 31 December 2021 and 2020.

(b) The Group reversed certain impairment loss due to settlement in full of the relevant trade receivables during the years ended 31 December 2021 and 2020.

(c) The Group writes off a trade receivable when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(ii) Credit risk and impairment assessment – continued

Impairment assessment under HKFRS 9 – continued

The following table shows the movement in lifetime ECL and 12m ECL that has been recognised for loan receivables.

	12m ECL *RMB million*	Lifetime ECL (credit – impaired) *RMB million*	Total *RMB million*
As at 1 January 2020	1	309	310
Impairment loss recognised, net	2	76	78
Written-off	–	(254)	(254)
As at 31 December 2020	**3**	**131**	**134**
Impairment loss recognised (reversed), net	**22**	**(32)**	**(10)**
As at 31 December 2021	**25**	**99**	**124**

The Group writes off a loan receivable when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery such as when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the borrowers to recover the amount due.

In addition, the Group recognised impairment for credit losses for its credit-impaired other receivables amounted to RMB5 million (2020: RMB15 million) and not credit-impaired other receivables amounted to RMB4 million (2020: RMB3 million) for the year ended 31 December 2021 under lifetime ECL and 12m ECL respectively. The Group writes off impairment for credit losses for its credit-impaired other receivable amounted to RMB1 million (2020: RMB11 million) for the year ended 31 December 2021 under lifetime ECL.

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows (inflows) on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month *RMB million*	1 to 3 months *RMB million*	Over 3 months but not more than 1 year *RMB million*	1 to 5 years *RMB million*	Over 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Carrying amount at 31 December 2021 *RMB million*
31 December 2021								
Non-derivative financial liabilities								
Trade and bills payables	–	4,946	3,512	3,239	172	–	11,869	11,869
Other payables	–	1,608	31	851	–	–	2,490	2,490
Other financial liabilities	–	14	–	100	59	–	173	173
Other financial liabilities	7.35%	–	–	280	–	–	280	264
Bank borrowings – variable rate	3.00%	60	85	385	1,432	207	2,169	2,078
Bank borrowings – fixed rate	2.80%	699	1,400	6,386	2,996	1,412	12,893	12,184
Debt component of convertible bonds	5.62%	–	–	10	1,230	–	1,240	956
Corporate bonds	5.65%	–	–	94	844	–	938	875
Lease liabilities	4.66%	14	3	42	112	–	171	151
		7,341	5,031	11,387	6,845	1,619	32,223	31,040
Derivatives financial instruments, net								
Foreign currency forward contracts		42	–	5	33	–	80	80
Cross-currency swap contract		–	–	–	26	–	26	26
		42	–	5	59	–	106	106

52. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

(iii) Liquidity risk – continued

Liquidity and interest risk tables – continued

	Weighted average effective interest rate	Repayable on demand or less than 1 month *RMB million*	1 to 3 months *RMB million*	Over 3 months but not more than 1 year *RMB million*	1 to 5 years *RMB million*	Over 5 years *RMB million*	Total undiscounted cash flows *RMB million*	Carrying amount at 31 December 2020 *RMB million*
31 December 2020								
Non-derivative financial liabilities								
Trade and bills payables	–	5,363	4,155	2,381	–	–	11,899	11,899
Other payables	–	1,569	57	312	–	–	1,938	1,938
Other financial liabilities	–	–	–	–	98	–	98	98
Other financial liabilities	8.00%	–	–	211	–	–	211	199
Bank borrowings – variable rate	2.78%	648	527	891	1,779	1,612	5,457	4,691
Bank borrowings – fixed rate	3.19%	814	877	3,775	1,534	–	7,000	6,696
Debt component of convertible bonds	5.62%	–	–	9	1,241	–	1,250	913
Corporate bonds	5.65%	–	–	44	1,030	–	1,074	874
Lease liabilities	5.00%	6	12	44	152	3	217	195
		8,400	5,628	7,667	5,834	1,615	29,144	27,503
Derivatives financial instruments, net								
Foreign currency forward contracts		–	13	15	51	–	79	79
Interest rate swap contracts		–	–	–	2	–	2	2
Cross-currency swap contract		–	–	–	28	–	28	28
		–	13	15	81	–	109	109

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As listed in note 37, several of the Group's variable-rate borrowings carrying interest at EURIBOR and LIBOR may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

52. FINANCIAL INSTRUMENTS – *continued*

(c) Interest rate benchmark reform – *continued*

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of EURIBORs/LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated

The Group is planning to transition the majority of its remaining IBOR-linked contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from IBOR to alternative reference rate at an agreed point in time.

(d) Fair value measurements of financial instruments

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed below.

No changes in the business or economic circumstances that significantly affect the fair value of financial instruments are considered by the directors of the Company.

52. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following tables present the Group's financial instruments that are measured at fair value at 31 December 2021 and 2020 by fair value hierarchy:

	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
At 31 December 2021				
Financial assets				
Financial assets at FVTPL	**145**	**12**	**2,699**	**2,856**
Equity instruments at FVTOCI	**123**	**–**	**1,470**	**1,593**
Trade receivables at FVTOCI	**–**	**557**	**–**	**557**
	268	**569**	**4,169**	**5,006**
Financial liabilities				
Derivative financial instruments	**–**	**(106)**	**(172)**	**(278)**
At 31 December 2020				
Financial assets				
Financial assets at FVTPL	396	9	1,243	1,648
Equity instruments at FVTOCI	128	–	1,088	1,216
Trade receivables at FVTOCI	–	400	–	400
	524	409	2,331	3,264
Financial liabilities				
Derivative financial instruments	–	(109)	(19)	(128)

52. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

(i) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis* – *continued*

Financial assets/(financial liabilities)	Fair value as at 31 December 2021 RMB million	2020 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL				
Listed equity securities	**145**	396	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**1,316**	1,076	Level 3 *(Note (a))*	Market approach Valuations are derived by the earnings attributable to owners of the investments, trading multiples of comparable companies and discounts for lack of marketability.
Unlisted investment funds	**282**	167	Level 3 *(Note (b))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolios and adjustments of related expenses, discounted at rates that reflect the credit risk of various counterparties.
Listed equity securities with restriction for sale	**1,101**	–	Level 3 *(Note (c))*	Quoted bid prices of the same listed entities in an active market and adjusted for the factor of trading restrictions.
	2,844	1,639		
Equity instruments at FVTOCI				
Unlisted equity securities	**1,470**	1,088	Level 3 *(Note (d))*	Market approach Valuations are derived by the earnings attributable to owners of the investments, trading multiples of comparable companies and discounts for lack of marketability.
Listed equity securities	**123**	128	Level 1	Quoted bid prices in an active market
	1,593	1,216		

52. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

(i) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis* – *continued*

Financial assets/(financial liabilities)	Fair value as at 31 December 2021 RMB million	2020 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Trade receivables at FVTOCI				
Trade receivables	**557**	400	Level 2	Discounted cash flow Future cash flows are estimated based on expected settlement and discounted at rates that reflect the credit risk of the counterparties.
Derivative financial instruments				
Foreign currency forward contracts – assets (included in financial assets at FVTPL)	**12**	9	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.
Foreign currency forward contracts – liabilities (included in other financial liabilities)	**(80)**	(79)	Level 2	
Cross-currency swap contract – liabilities (included in other financial liabilities)	**(26)**	(28)	Level 2	Discounted cash flow Future cash flows are estimated based on observable spot and forward exchange rates and the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
Interest rate swap contracts – liabilities (included in other financial liabilities)	**–**	(2)	Level 2	Discounted cash flow The inputs are the fixed interest rates adopted, the referenced floating interest rates, time to maturity and risk-free rates .

52. FINANCIAL INSTRUMENTS *– continued*

(d) Fair value measurements of financial instruments *– continued*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Financial assets/(financial liabilities)	Fair value as at 31 December 2021 RMB million	2020 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative component of the convertible bonds (included in other financial liabilities)	**(172)**	(19)	Level 3 *(Note (e))*	Binomial option pricing model Fair value is estimated based on share price of Skyworth Digital, exercise price, risk free rate, expected volatility and dividend yield.
	(266)	(119)		

Notes:

(a) Discount for lack of marketability of 25% (2020: 25%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTPL, and vice versa. A 5% (2020: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTPL by RMB240 million (2020: RMB70 million).

(b) Expected yield of 5% (2020: 5%) is the key unobservable input used in the valuation. A slight increase in the expected yield would result in a significant increase in the fair value measurement of the unlisted investment fund, and vice versa. A 5% (2020: 5%) increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment funds by RMB2 million (2020: RMB5 million).

(c) Discount for prohibition of trading on the same listed entities of 11-14% (2020: n/a) is the key unobservable input used in the valuation. A slight decrease in discount for prohibition of trading used in valuation would result in a significant increase in the fair value measurement of the listed equity securities with restriction for sale at FVTPL, and vice versa. A 5% (2020: n/a) decrease in the discount for prohibition of trading holding all other variables constant would increase the carrying amount of the listed equity securities with restriction for sale at FVTPL by RMB63 million (2020: n/a).

(d) Discount for lack of marketability of 15% (2020: 14%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTOCI, and vice versa. A 5% (2020: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTOCI by RMB38 million (2020: RMB61 million).

(e) Expected volatility of the share price of Skyworth Digital of 15% (2020: 15%) is the key unobservable input used in the valuation. A slight increase in the expected volatility of Skyworth Digital used in isolation would result in significant increase in the fair value measurement of the derivative component of the convertible bonds, and vice versa. A 5% (2020: 5%) increase in the share price of Skyworth Digital and 2% (2020: 2%) expected volatility of the share price holding all other variables constant would increase the carrying amount of the derivative component of the convertible bonds by RMB63 million (2020: RMB6 million) and RMB69 million (2020: RMB6 million), respectively.

52. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

(i) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis* – *continued*

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI	Financial assets at FVTPL		
	Unlisted equity securities *RMB million*	Unlisted equity securities *RMB million*	Unlisted funds *RMB million*	Listed equity securities with restriction for sale *RMB million*
At 1 January 2020	1,402	612	50	–
Gain from changes in fair value of equity instruments at FVTPL	–	85	1	–
Fair value loss on investments in equity instruments at FVTOCI	(311)	–	–	–
Investments	3	308	388	–
Disposals	(6)	(30)	(250)	–
Equity interest retained arising from disposal of subsidiaries *(note 44(a) & (b))*	–	147	–	–
Transfer out of level 3 *(Note)*	–	(46)	(22)	–
At 31 December 2020	**1,088**	**1,076**	**167**	**–**
Gain from changes in fair value of equity instruments at FVTPL	**–**	**131**	**–**	**1,002**
Fair value gain on investments in equity instruments at FVTOCI	**384**	**–**	**–**	**–**
Transfer	**–**	**(99)**	**–**	**99**
Transfer out of level 3 *(Note)*	**–**	**(43)**	**–**	**–**
Investments	**3**	**440**	**2,364**	**–**
Disposals	**(5)**	**(189)**	**(2,249)**	**–**
At 31 December 2021	**1,470**	**1,316**	**282**	**1,101**

Note: During the years ended 31 December 2021 and 2020, certain equity securities were transferred out of Level 3 of the fair value hierarchy upon the listing of the equity securities on the relevant stock exchanges.

52. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

(i) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis* – *continued*

All gains and losses included in OCI relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "FVTOCI reserve".

Reconciliation of Level 3 fair value measurement of financial liability, representing the derivative component of the convertible bonds, is disclosed in note 38.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

Except for bank borrowings at fixed rates, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the bank borrowings and corporate bonds (categorised with Level 2 hierarchy) and fair value of debt component of convertible bonds (categorised with Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rates that reflects the credit risk of the relevant entities of the Group.

53. RELATED PARTY DISCLOSURES

During the year, in addition to the related party transactions disclosed elsewhere in the consolidated financial statements, the Group also has the following transactions with related parties:

	2021 ***RMB million***	2020 *RMB million*
Associates		
Sales of finished goods	**787**	788
Joint ventures		
Repair and maintenance service fee income	**1**	1
Sales of finished goods	**1**	–
IT services fee expense	**2**	–

53. RELATED PARTY DISCLOSURES – *continued*

	2021 RMB million	2020 RMB million
Other related parties		
Sale of electronic products to a related party *(Note (b))*	172	–
Consideration for transfer of the title and interest in certain trademarks owned by the Group to a related party (included in other income) *(Note (a))*	28	–
Interest income arising from loan receivables from a related party *(Note (a))*	9	18
Purchase of motor vehicles from a related party *(Note (a))*	4	–
Consultancy fee paid to a substantial shareholder of the Company	2	3

Notes:

(a) *The relevant related parties are controlled by a substantial shareholder of the Company. Please refer to sections headed "Connected Transactions" and "Continuing Connected Transactions" in the Directors' Report for the details.*

(b) *The relevant related parties are controlled by the spouse of a director of the Company. Please refer to the section headed "Continuing Connected Transactions" in the Directors' Report for details.*

Compensation of key management personnel

The remuneration of directors and other members of key management including chief executive of the Company during the year was as follows:

	2021 RMB million	2020 RMB million
Short-term benefits	120	60
Post-employment benefits	1	1
Share-based payments	2	29
	123	90

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 December 2021 and 31 December 2020 which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ paid up registered capital	Effective interest held by the Company *(Note (a))* 2021	2020	Principal activities
Skyworth Holdings Limited 創維控股有限公司	Samoa/Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Skyworth Enterprises Limited 創維實業有限公司	Samoa/Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Skyworth Investment (Holdings) Limited 創維投資(控股)有限公司	The British Virgin Islands/ Hong Kong	Ordinary shares HK$893 Preference shares HK$990	**100%**	100%	Investment holding
Skyworth Intellectual Property Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands/ Hong Kong	Ordinary shares US$10	**100%**	100%	Investment holding
Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司	Bermuda/Hong Kong	Ordinary shares HK$100,000	**100%**	83%	Investment holding
Skyworth Electronic Appliance Limited 創維電器有限公司	Hong Kong	Ordinary shares HK$93,114,000	**100%**	100%	Investment holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK$30,600,000 Non-voting deferred shares HK$2,500,000 *(Note (b))*	**100%**	100%	Investment holding
Weirong International Limited 維融國際有限公司 (previously known as Skyworth Multimedia International Limited 創維多媒體國際有限公司)	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Limited 創維海外有限公司	Hong Kong	Ordinary shares HK$2	**100%**	100%	Trading of consumer electronic products
Skyworth Financial Management Company Limited 創維財資管理有限公司	Hong Kong	Ordinary shares HK$500,000,000	**100%**	100%	Treasury management and investment holding
Skyworth International Trading Limited 創維國際貿易有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Trading

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ paid up registered capital	Effective interest held by the Company *(Note (a))* 2021	Effective interest held by the Company *(Note (a))* 2020	Principal activities
深圳創維－RGB電子有限公司	PRC *(Note (c))*	Registered capital RMB700,000,000	**100%**	100%	Manufacture and sale of consumer electronic products
新創維電器(深圳)有限公司	PRC *(Note (d))*	Registered capital US$21,180,000	**100%**	100%	Manufacture of consumer electronic products and property holding
呼和浩特市創維建設發展有限公司	PRC *(Note (c))*	Registered capital US$24,400,000	**100%**	100%	Manufacture and sale of consumer electronic products
創維集團科技園管理有限公司	PRC *(Note (c))*	Registered capital US$39,500,000	**100%**	100%	Manufacture of consumer electronic products and property holding
創維集團有限公司	PRC *(Note (c))*	Registered capital HK$1,830,000,000	**100%**	100%	Investment holding
創維數字股份有限公司	PRC *(Note (f))*	Registered capital RMB1,063,237,105	**56.9%** *(Note (g))*	56.5% *(Note (g))*	Investment holding
深圳創維數字技術有限公司	PRC *(Note (e))*	Registered capital RMB300,000,000	**56.9%** *(Note (g))*	56.5% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
Strong Media Group Limited	The British Virgin Islands/ Austria	Ordinary shares EUR84	**45.5%** *(Note (g))*	45.2% *(Note (g))*	Sale and distribution of reception facilities of digital televisions
深圳市酷開網絡科技股份有限公司	PRC *(Note (e))*	Registered capital RMB360,009,000	**57.0%**	57.0%	Manufacturing and sale of consumer electronic products
創維液晶器件(深圳)有限公司	PRC *(Note (d))*	Registered capital HK$25,000,000	**56.9%** *(Note (g))*	56.5% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
創維電器股份有限公司	PRC *(Note (e))*	Registered capital RMB193,500,000	**74.7%**	74.7%	Manufacture and sale of consumer electronic products and research and products development
深圳創維光伏科技有限公司	PRC *(Note (a))*	Registered capital RMB50,000,000	**70%**	90%	Investment holding and trading of photovoltaic products
創維集團建設發展有限公司	PRC *(Note (a))*	Registered capital RMB675,000,000	**100%**	100%	Investment holding and property developments
創維集團財務有限公司	PRC *(Note (d))*	Registered capital RMB1,152,670,000	**97.5%**	97.5%	Financing
深圳創維科技咨詢有限公司	PRC *(Note (d))*	Registered capital RMB100,000,000	**100%**	100%	Investment holding

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES – *continued*

Notes:

(a) The Company directly holds the entire interest in Skyworth Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares practically carry no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

(c) The subsidiaries are sino-foreign equity joint ventures registered in the PRC.

(d) The subsidiaries are wholly foreign owned enterprises registered in the PRC.

(e) The subsidiary is a joint stock limited company registered in the PRC.

(f) The subsidiary is a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange.

(g) The effective interest held by the Company included 0.01% (2020: 0.01%) equity interest held under treasury shares of a subsidiary of the Company for the purpose of the restricted share incentive scheme of Skyworth Digital as set out in note 42.

None of the subsidiaries had issued any debt securities outstanding at 31 December 2021 and 2020 or at any time during the year, except for the issuance of convertible bonds by Skyworth Digital and issuance of certain corporate bonds by a subsidiary as disclosed in notes 38 and 39 respectively in which the Company has no interest.

At the end of the reporting period, the Company has other subsidiaries that are considered to be not material to the Group. A majority of these subsidiaries operate in the PRC.

55. NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021** *RMB million*	2020 *RMB million*	**2021** *RMB million*	2020 *RMB million*
Skyworth Digital	PRC	43.1%	43.5%	176	242	1,999	1,926
Coocaa Technology	PRC	43.0%	43.0%	133	128	980	898
Individually immaterial subsidiaries with non-controlling interest				22	25	62	(143)
				331	395	3,041	2,681

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

55. NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

	Skyworth Digital		Coocaa Technology	
	2021	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*
Non-current assets	**1,614**	1,506	**1,597**	474
Current assets	**9,583**	8,744	**1,318**	2,124
Current liabilities	**(5,525)**	(4,864)	**(591)**	(456)
Non-current liabilities	**(1,114)**	(1,097)	**(79)**	(70)
	4,558	4,289	**2,245**	2,072
Equity attributable to owners of the Company	**2,559**	2,363	**1,265**	1,174
Non-controlling interests of Skyworth Digital/Coocaa Technology	**1,967**	1,820	**956**	887
Non-controlling interest of subsidiaries of Skyworth Digital/Coocaa Technology	**32**	106	**24**	11
	4,558	4,289	**2,245**	2,072
Revenue	**10,847**	8,738	**1,382**	1,359
Expenses	**(10,432)**	(8,143)	**(1,084)**	(1,063)
Profit for the year	**415**	595	**298**	296
Profit (loss) attributable to:				
Owners of the Company	**239**	353	**165**	168
Non-controlling interests of Skyworth Digital/Coocaa Technology	**183**	272	**124**	127
Non-controlling interests of subsidiaries of Skyworth Digital/Coocaa Technology	**(7)**	(30)	**9**	1
Profit for the year	**415**	595	**298**	296

55. NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

	Skyworth Digital		Coocaa Technology	
	2021	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*
Other comprehensive income attributable to:				
Owners of the Company	**2**	19	**–**	23
Non-controlling interests of Skyworth Digital/Coocaa Technology	**2**	14	**–**	18
Other comprehensive income for the year	**4**	33	**–**	41
Total comprehensive income (expense) attributable to:				
Owners of the Company	**241**	372	**165**	191
Non-controlling interests of Skyworth Digital/Coocaa Technology	**185**	286	**124**	145
Non-controlling interests of subsidiaries of Skyworth Digital/Coocaa Technology	**(7)**	(30)	**9**	1
Total comprehensive income for the year	**419**	628	**298**	337
Dividends paid to non controlling interest of Skyworth Digital/Coocaa Technology	**–**	–	**–**	–
Net cash inflow (outflow) from:				
Operating activities	**190**	2,447	**328**	130
Investing activities	**(177)**	(193)	**(1,068)**	260
Financing activities	**141**	(814)	**(53)**	(51)
Net cash inflow (outflow)	**154**	1,440	**(793)**	339

56. FINANCIAL INFORMATION OF THE COMPANY

The following is the statement of financial position of the Company:

	2021 *RMB million*	2020 *RMB million*
Non-current Asset		
Interests in subsidiaries	7,232	6,819
Current Assets		
Other receivables	–	10
Amounts due from subsidiaries	62	487
Bank balances and cash	49	79
	111	576
Current Liabilities		
Other payables	112	82
Amounts due to subsidiaries	2,288	2,098
Corporate bonds	77	–
	2,477	2,180
Net Current Liabilities	(2,366)	(1,604)
Total Assets less Current Liabilities	4,866	5,215
Non-current Liability		
Corporate bonds	–	77
Net Assets	4,866	5,138
Capital and Reserves		
Share capital	273	273
Reserves	4,593	4,865
	4,866	5,138

56. FINANCIAL INFORMATION OF THE COMPANY – *continued*

The followings are the movements in reserves of the Company for both years:

	Share premium *RMB million*	Share option reserve *RMB million*	Share award reserve *RMB million*	Shares held for share award scheme *RMB million*	Surplus account *RMB million*	Accumulated profits *RMB million*	Total *RMB million*
Balance at 1 January 2020	3,292	95	10	(83)	1,006	519	4,839
Profit and total comprehensive income for the year	–	–	–	–	–	905	905
Recognition of equity-settled share-based payments *(note 42)*	–	13	40	–	–	–	53
Lapse of share options	–	(1)	–	–	–	1	–
Shares vested under share award scheme of the Company	–	–	(50)	83	–	(33)	–
Repurchase of shares	(932)	–	–	–	–	–	(932)
Balance at 31 December 2020	**2,360**	**107**	**–**	**–**	**1,006**	**1,392**	**4,865**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(147)**	**(147)**
Recognition of equity-settled share-based payments *(note 42)*	**–**	**4**	**–**	**–**	**–**	**–**	**4**
Purchase of shares for unvested shares under share award scheme of the Company	**–**	**–**	**–**	**(79)**	**–**	**–**	**(79)**
Exercise of share options	**84**	**(20)**	**–**	**–**	**–**	**–**	**64**
Repurchase of shares	**(114)**	**–**	**–**	**–**	**–**	**–**	**(114)**
Balance at 31 December 2021	**2,330**	**91**	**–**	**(79)**	**1,006**	**1,245**	**4,593**

RESULTS

	For the year ended 31 December			For the nine months ended 31 December	For the year ended 31 March
	2021	2020	2019	2018	2018
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**50,928**	40,093	37,277	30,192	39,271
Cost of sales	**(42,380)**	(32,929)	(29,775)	(24,534)	(32,726)
Gross profit	**8,548**	7,164	7,502	5,658	6,545
Other income	**1,284**	1,233	1,071	628	1,139
Other gains and losses	**724**	965	52	(290)	(255)
Selling and distribution expenses	**(3,981)**	(3,477)	(3,757)	(2,862)	(3,873)
General and administrative expenses	**(1,479)**	(1,415)	(1,014)	(833)	(868)
Research and development expenses	**(2,097)**	(1,865)	(1,843)	(1,327)	(1,604)
Finance costs	**(461)**	(440)	(484)	(335)	(322)
Share of results of associates and joint ventures	**14**	15	26	9	9
Profit before taxation	**2,552**	2,180	1,553	648	771
Income tax expense	**(587)**	(345)	(522)	(95)	(272)
Profit for the year	**1,965**	1,835	1,031	553	499
Attributable to:					
Owners of the Company	**1,634**	1,440	747	420	459
Non-controlling interests	**331**	395	284	133	40
	1,965	1,835	1,031	553	499

ASSETS AND LIABILITIES

	As at 31 December				As at 31 March
	2021	2020	2019	2018	2018
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total consolidated assets	**60,881**	53,684	47,538	45,160	43,101
Total consolidated liabilities	**(39,795)**	(34,693)	(29,395)	(27,805)	(26,557)
Net assets	**21,086**	18,991	18,143	17,355	16,544
Attributable to:					
Owners of the Company	**18,045**	16,310	15,992	15,470	14,922
Non-controlling interests	**3,041**	2,681	2,151	1,885	1,622
	21,086	18,991	18,143	17,355	16,544

During the nine months ended 31 December 2018, the Group had first applied HKFRS 9 and HKFRS 15. The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018 and has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, certain financial information for the year ended 31 March 2018 as set out above may not be comparable to the years ended 31 December 2020 and 2019 and nine months ended 31 December 2018 as such comparative information was prepared under HKAS 18 and HKAS 39.

During the year ended 31 December 2019, the Group has applied HKFRS 16 for the first time and has elected the applicable practical expedient for not reassess contracts which already existed prior to the date of initial application (i.e. 1 January 2019). The financial information as set out above for the nine months ended 31 December 2018 and year ended 31 March 2018 have therefore not been restated on initial application of HKFRS 16.

Amounts expressed in RMB millions (except for Share data and items specifically stated)

	Year ended 31 December			Nine months ended 31 December	Year ended 31 March
	2021	2020	2019	2018	2018
OPERATING RESULTS					
Revenue	**50,928**	40,093	37,277	30,192	39,271
EBIT	**3,013**	2,620	2,023	973	1,083
Profit attributable to owners of the Company	**1,634**	1,440	747	420	459
DATA PER SHARE					
Earnings per Share – Basic (RMB cents)	**62.11**	49.23	24.61	13.85	15.21
Dividend per Share (HK cents)	**23.0**	–	–	6.0	9.0
Dividend payout ratio	**30.4%**	0.0%	0.0%	38.3%	50.9%
KEY STATISTICS					
Equity attributable to owners of the Company	**18,045**	16,310	15,992	15,470	14,922
Working capital****	**13,725**	11,401	7,388	8,636	9,731
Cash position*	**12,739**	9,841	6,102	3,772	8,142
Borrowings	**14,262**	11,387	8,177	6,324	7,476
Corporate bonds (inclusive of interest)	**921**	920	2,029	2,026	2,050
Convertible bonds (inclusive of interest)	**962**	917	907	–	–
Bills receivables	**2,996**	4,489	4,835	6,942	5,414
Trade receivables	**9,146**	9,162	9,430	9,474	7,003
Inventories	**7,791**	6,004	4,909	6,031	5,202
Depreciation and amortisation	**906**	917	870	541	676
KEY RATIOS					
ROE (%)	**9.5**	8.9	4.7	2.7	3.1
ROA (%)	**3.4**	3.6	2.2	1.2	1.0
Debt to equity (%)**	**76.6**	69.6	61.4	48.1	57.6
Current ratio (times)	**1.4**	1.4	1.3	1.4	1.4
Trade receivables turnover period excluding portion arising from discounted bills receivables (days)***	**92**	127	150	131	105
Inventories turnover period (days)***	**64**	64	72	65	62
Gross profit margin (%)	**16.8**	17.9	20.1	18.7	16.7
EBITDA margin (%)	**7.1**	8.1	7.8	5.0	4.5
EBIT margin (%)	**5.9**	6.5	5.5	3.2	2.8
Profit margin (%)	**3.9**	4.6	2.8	1.8	1.3

* Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash

** (Borrowings + corporate bonds)/total equity

*** Calculation based on average inventory; average sum of bills receivables and trade receivables

**** Excluding assets and liabilities associated with assets classified as held for sale

Completed properties for sale

	Property name	Location
1	Skyworth Lehuocheng (創維樂活城)	No. 26, Tuanshan West Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province
2	Skyworth Wenhui Court (創維文匯苑)	No. 1 Qunli Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province
3	Phase 1 of Chuangwei Jingyuan (創維璟園一期)	Plot 2-1, No. 29 Jingfa Avenue, Yichun City, Jiangxi Province
4	Phase 2 of Chuangwei Jingyuan (創維璟園二期)	Plot 2-2, No. 29 Jingfa Avenue, Yichun City, Jiangxi Province

Lease expiry	Group's interest (%)	Gross floor area attributable to the Group (square meter)	Attributable gross floor area (square meter) Residential	Commercial	Industrial	Carpark	Land lot No.
2082	100%	9,207.63	124.67	211.86	–	8,871.10	24108005054-1/241080054-2
2056/2086	100%	53,179.93	14,425.00	20,307.83	–	18,447.10	320117103021GB00014 /320117103021GB00015
2082	100%	3,489.39	–	3,489.39	–	–	360902002001GB00108
2082	100%	10,307.12	2,156.33	8,150.79	–	–	360902002001GB00233

Properties under development

	Location	Property name	Lease expiry	Group's interest *(%)*	Site area *(square meter)*
1	No. 1 Qunli Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province	Skyworth Wenhui Court (創維文匯苑) (Phase 4)	2086	100%	10,345.53
2	No. 1 Qunli Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province	Skyworth Wenhui Court (創維文匯苑) (Phase 5)	2056	100%	2,163.73
3	Skyworth Lake-Viewing Mansion Project (創維觀湖苑項目), Quanjiao County Development Zone, Chuzhou City, Anhui Province	Skyworth Lake-Viewing Mansion (創維觀湖苑)	2058/2088	100%	497,559.00
4	North of Qingnian Road and West of Zhongling North Road, Yongyang Street, Lishui District, Nanjing City, Jiangsu Province (江蘇省南京市溧水區永陽街道青年路以北、鐘靈北路以西)	Skyworth G18 Plot (創維G18地塊)	2091	90%	42,539.94
5	South of Chenguang Street and East of Keerqin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古呼和浩特市賽罕區晨光街以南、科爾沁南路以東)	Ruyi Shijia (如意世家)	2090	100%	119,847.60
6	South of Jinyuan Road and West of Jingdu Road, Yichun Economic and Technological Development Zone, Jiangxi Province (江西省宜春經濟技術開發區金園路南側，經都路西側地段)	Skyworth Yuyuan (創維瑜園)	2088	100%	59,407.00
7	South of Yuanshan East Road and East of Duoshenglou Road, Yichun City, Jiangxi Province (江西省宜春市袁山東路南側、多勝樓路東側地段)	Skyworth Yunxitai (創維雲熙台)	2090	100%	26,865.00
8	East of Zhaolong Road, South of Planned First Road and West of Planned Second Road, Zhuangshi Street, Zhenhai District, Ningbo City, Zhejiang Province (浙江省寧波市鎮海區莊市街道兆龍路東側、規劃一路南側、規劃二路西側)	Ningbo Skyworth Shuangzhi Shuangchuang Industrial Park (寧波雙智雙創產業園)	2059	100%	48,544.00
9	East of Zhaolong Road, South of Qingquan Road, West of Planned Second Road and North of Planned First Road, Zhuangshi Street, Zhenhai District, Ningbo City, Zhejiang Province (浙江省寧波市鎮海區莊市街道兆龍路東側、清泉路南側、規劃思路西側、規劃一路北側)	Ningbo Chongwen Garden (寧波崇文花園)	2089	100%	52,612.00

Gross floor area attributable to the Group *(square meter)*	Attributable gross floor area *(square meter)* Residential	Commercial	Carpark	Kindergarten	Others	Stage of completion	Estimated completion date	Land lot No.
18,896.59	18,896.59	–	–	–	–	The above works are currently under construction	May 2022	320117103021GB00015
3,952.16	–	–	–	–	3,952.16	Planning and design stage	Completion date undetermined	320117103021GB00015
733,795.25	717,230.27	16,564.98	–	–	–	The project is divided into seven phases, with phase 1 under construction	December 2028	341124013010GB00001/ 00008/00010/00011
80,905.77	79,325.37	1,580.40	–	–	–	Planning and design stage	November 2025	320117100039GB00026
321,022.24	224,101.00	9,808.24	66,449.46	3,168.78	17,494.76	The above works are currently under construction	May 2026	150105401002GB00056
116,228.00	116,228.00	–	–	–	–	The above works are currently under construction	November 2023	360902002001GB00235
45,935.00	45,935.00	–	–	–	–	The above works are currently under construction	November 2023	360902006007GB00611
112,414.95	–	75,531.88	34,881.55	–	2,001.52	The above works are currently under construction	December 2022	330211004007GB00350
136,878.07	86,256.15	1,902.99	39,513.81	4,018.32	5,186.80	The above works are currently under construction	December 2022	330211004007GB00349

CALENDAR OF MAJOR IR ACTIVITIES

January – December 2021

Time	Events
March	• 2020 Annual Results Announcement
April	• 2021 First Quarterly Results Announcement
May	• Annual General Meeting
June	• Asia Pacific Opportunities Summit 2021 (Virtual Conference), arranged by Institutional Capital Advisory (Asia) Limited
August	• 2021 Interim Results Announcement
September	• Special General Meeting
October	• 2021 Third Quarterly Results Announcement • Investor meeting (Conference Call), arranged by China International Capital Corporation Limited • Investor meeting (Conference Call), arranged by First Shanghai Securities Limited
November	• Investor's company visit • Investor meeting (Conference Call), arranged by Mizuho Securities Asia Limited • Investor meeting (Conference Call), arranged by China International Capital Corporation Limited
December	• Investor meeting (Conference Call), arranged by TF International Securities Group Limited • InnoESG Prize Presentation cum ESG Forum 2021 • Investor meeting (Conference Call), arranged by China International Capital Corporation Limited

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Lam Shing Choi, Eric

Independent Non-executive Directors
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Hung Ka Hai, Clement

MEMBERS OF COMMITTEES

Audit Committee
Mr. Cheong Ying Chew, Henry *(Chairman)*
Mr. Li Weibin
Mr. Hung Ka Hai, Clement

Executive Committee
Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Huang Mingyan
Mr. Wu Qinan
Mr. Lam Shing Choi, Eric
Mr. Wu Wei
Mr. Ying Yiming

Nomination Committee
Mr. Hung Ka Hai, Clement *(Chairman)*
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Ms. Lin Wei Ping

Remuneration Committee
Mr. Li Weibin *(Chairman)*
Mr. Cheong Ying Chew, Henry
Mr. Hung Ka Hai, Clement
Ms. Lin Wei Ping

COMPANY SECRETARY
Mr. Lam Shing Choi, Eric

AUTHORISED REPRESENTATIVES
Ms. Lin Wei Ping
Mr. Lam Shing Choi, Eric

AUDITOR
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISORS
Reed Smith Richards Butler LLP
Michael Li & Co.

PRINCIPAL BANKERS
Bank of China Limited
China CITIC Bank International Limited
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Postal Savings Bank of China Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 1601–04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712–16
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

SHARES LISTING

Shares of the Company are listed on
The Stock Exchange of Hong Kong Limited
Stock Code: 00751

IMPORTANT INFORMATION FOR 2021

Results Announcement Date
Annual Results: 22 March 2022

DIVIDEND PER SHARE

Final dividend: 23 HK cents

DIVIDEND PAYMENT DATE

Final dividend: 13 June 2022

CLOSING PERIOD OF THE REGISTER OF MEMBERS

Final dividend: From 30 May 2022 to 1 June 2022
(both dates inclusive)

COMPANY WEBSITE

http://www.skyworth.com

SKYWORTH

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