

# SKYWORTH

## 創維集團有限公司 SKYWORTH GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 00751.HK



# 2022

## Interim Report

## SKYWORTH 創維

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# Financial Highlights

Amounts expressed in millions of Renminbi (except for data per share and items specifically stated)

	Six months period from 1 January to 30 June 2022 (unaudited)	Six months period from 1 January to 30 June 2021 (unaudited)	Change
<b>OPERATING RESULTS</b>			
Revenue	24,284	22,567	+7.6%
EBIT	1,072	1,050	+2.1%
EBITDA	1,436	1,384	+3.8%
Profit for the period	631	610	+3.4%
Profit attributable to owners of the Company	339	409	-17.1%
<b>FINANCIAL POSITION</b>			
Net cash from (used in) operating activities	2,049	(1,403)	+246.0%
Cash position*	12,471	9,242	+34.9%
Borrowings	14,505	13,580	+6.8%
Convertible bonds (inclusive of interest)	-	936	-100.0%
Corporate bonds (inclusive of interest)	902	903	-0.1%
Equity attributable to owners of the Company	17,641	17,052	+3.5%
Working capital****	10,852	13,442	-19.3%
Bills receivables	1,542	3,150	-51.0%
Trade receivables	8,283	9,381	-11.7%
Inventories	8,742	8,746	-0.0%
<b>KEY RATIOS</b>			
Gross profit margin (%)	16.0%	16.6%	-0.6pp
EBIT margin (%)	4.4%	4.7%	-0.3pp
EBITDA margin (%)	5.9%	6.1%	-0.2pp
Profit margin (%)	2.6%	2.7%	-0.1pp
ROE (%)	3.8%	4.9%	-1.1pp
Debt to equity (%)**	71.7%	77.3%	-5.6pp
Current ratio (times)	1.3	1.5	-13.3%
Trade receivables turnover period (days)***	81	106	-23.6%
Inventories turnover period (days)***	77	78	-1.3%
<b>DATA PER SHARE</b>			
Earnings per share — Basic (RMB cents)	12.98	15.54	-16.5%
Earnings per share — Diluted (RMB cents)	12.96	14.44	-10.2%
Dividend per share (HK cents)	3	-	N/A
Book value per share (RMB cents)	817.66	747.08	+9.4%
<b>SHARE INFORMATION AT FINANCIAL PERIOD END</b>			
Skyworth Group Limited (shares are listed in Hong Kong, stock code: 00751)			
Number of Shares in issue (million)	2,627	2,668	-1.5%
Market capitalisation (HK\$ million)	10,193	5,816	+75.3%
Skyworth Digital Co., Ltd. (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	1,150	1,063	8.2%
Market capitalisation (RMB million)	18,642	9,046	+106.1%

\* Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash

\*\* (Borrowings + corporate bonds + convertible bonds)/total equity

\*\*\* Calculated based on average inventory; average sum of bills receivable and trade receivables

\*\*\*\* Excluding assets and liabilities associated with assets classified as held for sale

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lin Jin (*Chairman*) (*Appointed as Chairman with effect from 7 July 2022*)  
 Mr. Liu Tangzhi (*Vice Chairman*) (*Re-designated as Vice Chairman with effect from 30 April 2022*)  
 Mr. Shi Chi (*Chief Executive Officer*) (*Appointed as Chief Executive Officer with effect from 30 April 2022*)  
 Ms. Lin Wei Ping  
 Mr. Lam Shing Choi, Eric  
 Mr. Lai Weide (*Resigned with effect from 7 July 2022*)

### 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 (*Chairperson*)  
 Mr. Li Weibin  
 Mr. Hung Ka Hai, Clement

### Executive Committee

Mr. Lin Jin (*Chairman of the Board*) (*Appointed as Chairperson of the Executive Committee with effect from 7 July 2022*)  
 Mr. Liu Tangzhi (*Vice Chairman of the Board*)  
 Mr. Shi Chi (*Chief Executive Officer*)  
 Ms. Lin Wei Ping  
 Mr. Lam Shing Choi, Eric  
 Mr. Wu Wei  
 Mr. Ying Yiming  
 Mr. Lai Weide (*Resigned with effect from 7 July 2022*)

### Nomination Committee

Mr. Hung Ka Hai, Clement (*Chairperson*)  
 Mr. Li Weibin  
 Mr. Cheong Ying Chew, Henry  
 Ms. Lin Wei Ping

### Remuneration Committee

Mr. Li Weibin (*Chairperson*)  
 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  
 Certified Public Accountants  
 Registered Public Interest Entity Auditors

## LEGAL ADVISOR

Reed Smith Richards Butler LLP

## PRINCIPAL BANKERS

Bank of China Limited  
 Bank of Communications Co., Ltd.  
 China CITIC Bank International Limited  
 China Construction Bank Corporation  
 China Development Bank  
 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

# Corporate Information

## **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  
Shops 1712-16  
17th Floor, 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**

Results announcement date  
Interim results: 26 August 2022

## **DIVIDEND PER SHARE**

Interim dividend: 3 HK cents

## **DIVIDEND PAYMENT DATE**

Interim dividend: 26 September 2022

## **CLOSING PERIOD OF THE REGISTER OF MEMBERS**

Interim dividend: From 13 September 2022 to 15 September 2022  
(both dates inclusive)

## **COMPANY WEBSITE**

<http://www.skyworth.com>

# Operational and Financial Review

## BUSINESS PERFORMANCE REVIEW

### Revenue

For the six months ended 30 June 2022, the Group's overall revenue amounted to RMB24,284 million, compared with an overall revenue of RMB22,567 million for the Same Period of Previous Year.

During the Current Period, the global economy was still in turmoil due to the on-going COVID-19 epidemic, geopolitical conflicts, rising energy prices and increase in interest rate of the Federal Reserve. Facing the complex external environment, Skyworth has firmly adhered to the innovation-driven development strategy and strived to grasp the development trends and opportunities of the global economy, such as digitisation, smartisation and low carbonisation. While continuously empowering home appliances and other traditional industries to enhance product competitiveness, the cultivation and expansion of new industries and new businesses, including digital economy and new energy, were also accelerated, resulting in certain results by promoting industrial transformation and innovative development. Firstly, for businesses entering the stock market cycle, such as smart TV systems and smart appliances, the Group insisted on developing intelligent and high-quality products with consumer experience as the core and further enhanced its product competitiveness. Secondly, the Group seized the opportunities of the booming development of digital technology and digital economy, fully exploited its leading edge in the industry and accelerated the development of smart systems technology business to further expand business scale and product range. Thirdly, the Group seized the historic opportunities arising from the global clean energy development and the implementation of China's "3060 Carbon Peak and Neutrality Target" to accelerate the development of photovoltaic and other new energy businesses, and further strengthened its position as a leader in distributed photovoltaics.

During the Current Period, Skyworth further strengthened the synergy of various businesses within the Company, clarified its development direction, strengthened its corporate development, standardised its corporate development practices with a focus on professional development, accelerated its corporate reform and transformation, so as to achieve balanced development of overall revenue and steadily improve its overall efficiency. The overall revenue of the Group for the six months ended 30 June 2022 amounted to RMB24,284 million, up 7.6% as compared to the Same Period of Previous Year. However, under the epidemic, prices of raw materials of the global household appliances industry increased in general and profit margins were being squeezed. The Group's gross profit margin for the Current Period was 16.0%, down 0.6 percentage points from 16.6% for the Same Period of Previous Year.

For the six months ended 30 June 2022 and 2021, the Group's smart TV systems sales volumes by market are as follows:

	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022 vs Six months ended 30 June 2021 Increase/ (decrease)
	Unit ('000)	Unit ('000)	
PRC market	2,469	2,881	(14.3%)
Overseas markets	3,877	3,852	0.6%
<b>Total smart TV systems sales volumes</b>	<b>6,346</b>	<b>6,733</b>	<b>(5.7%)</b>

# Operational and Financial Review

## (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 America, with mainland China being the primary market.

### Mainland China Market

For the six months ended 30 June 2022, revenue from the mainland China market amounted to approximately RMB16,110 million, representing an increase of RMB1,469 million or 10.0% as compared to RMB14,641 million for the Same Period of Previous Year.

During the Current Period, the Group's multimedia business, smart systems technology business, smart appliances business and new energy business each accounted for 36.2% (the Same Period of Previous Year: 57.7%), 23.3% (the Same Period of Previous Year: 20.2%), 9.2% (the Same Period of Previous Year: 9.5%) and 26.1% (the Same Period of Previous Year: 0.3%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 5.2% (the Same Period of Previous Year: 12.3%).

### Overseas Markets

For the six months ended 30 June 2022, revenue from overseas markets amounted to RMB8,174 million, accounted for 33.7% of the Group's overall revenue, representing an increase of RMB248 million or 3.1% as compared to RMB7,926 million recorded in the Same Period of Previous Year. The Group continued to optimise its sales channels in overseas markets to reduce the negative impact of COVID-19, resulting in a steady growth in overseas revenue during the Current Period.

### Geographical distribution of revenue in overseas markets

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

	Six months ended 30 June	
	2022 (%)	2021 (%)
Asia (excluding Middle East)	57	60
America	12	10
Africa	11	7
Europe	10	12
Middle East	9	10
Oceania	1	1
	<b>100</b>	<b>100</b>

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".

# Operational and Financial Review

## (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 six months ended 30 June 2022, the Group's multimedia business recorded revenue of RMB10,848 million, representing a decrease of RMB1,978 million or 15.4% as compared to RMB12,826 million recorded in the Same Period of Previous Year.

#### 1.1 Smart TV Systems Products (PRC Market)

For the six months ended 30 June 2022, the Group's smart TV systems products recorded revenue of RMB4,450 million in the mainland China market, representing a decrease of RMB1,418 million or 24.2% as compared to RMB5,868 million recorded in the Same Period of Previous Year.

During the Current Period, 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 consumer experience and product enhancement to create sustainable competitiveness for the future. The material initiatives included the introduction of the AI image quality optimisation technology developed by the Group, covering precision contour smoothing, dynamic target reshaping, super resolution, scenario-based AI image quality optimisation and other functions for searching, recognising and reconstructing screen images as well as real-time comprehensive optimisation of image quality. The new split super multi-channel technology enhances the "audio and video integration" effect, together with the bass enhancement technology that increase the bass level of the sound, providing users with an immersive viewing experience. A new generation of Dolby ATMOS 4.1 structural solution restores the full-band realistic sound effect, presenting the ultimate video effect.

In 2022, the Group launched Wallpaper TV Series Q53P/Q53/Q53L, Home Entertainment TV Series G53/G53L/A33 and its first glass-backed professional office monitor B40Q. Adopting the design of "flush wall mounting + independent media hub", Q53P/Q53/Q53L series products create a perfect blend of TV and home and greatly improve both product performance and sound quality. The independent media hub can also be used as a desktop Bluetooth speaker, showing more possibilities for audio-visual performance and bringing better audio experience to users. Equipped with "V3 full-featured AI chip" and combined with Skyworth's self-developed "AI Picture Quality Engine", G53/G53L/A33 series products have succeed in improving image quality and functions by leaps. In addition, the products are equipped with ADS 4K 120Hz high refresh rate monitor and HDMI 2.1 interface, which can realise full-channel 120Hz high refresh rate display. With smoother and clearer motion display, whether as a TV or a 4K gaming monitor, they are designed to bring users a choice of home entertainment device with high cost performance and flagship audio-visual quality. B40Q series products are made of high-strength explosion-proof glass and achieve an upgraded image quality through the Group's image quality adjustment technology, together with reduced damage arising from blue light to the eyes by effectively filtering harmful blue light bands via the optical blue light blocking technology, the users are provided with comfortable experience.

During the Current Period, the Group's sales volume in the PRC market dropped by 14.3% year-on-year due to the ongoing impact of Omicron, the COVID-19 variant virus. In response to the pandemic and the intense market competition, the Group will continue to adjust its sales strategy, shift its focus to high-end TV products such as OLED, and adjust unit prices accordingly to increase its market share.



# Operational and Financial Review

## 1.2 Smart TV Systems Products (Overseas Markets)

For the six months ended 30 June 2022, the Group's smart TV systems products recorded revenue of RMB3,919 million in overseas markets, representing a decrease of RMB839 million or 17.6% as compared to RMB4,758 million recorded in the Same Period of Previous Year.

During the Current Period, COVID-19 spread faster and most overseas countries were still suffering from Omicron and other variant viruses. Facing many unfavourable factors, such as the sharp rise in shipping prices and serious disruptions in cargo transportation, the Group adopted a relatively stable and prudent sales strategy that optimised its customers and channels in various countries, and actively expanded its e-commerce business, which successfully reduced the negative impact of the ongoing outbreaks on its offline business. The performance in the overseas TV markets was basically flat.

Leveraging the TikTok platform with key opinion leaders that suit the brand's image, as well as organising new product launch events and roving exhibitions, the Group has successfully enhanced the popularity and image of Skyworth's brand in Indonesia, Thailand and other Southeast Asian countries.

## 1.3 Internet Valued-added Services of Coocaa System

For the six months ended 30 June 2022, the Group recorded a growth of RMB59 million or 9.8% in revenue from the internet value-added services of Coocaa System, which increased to RMB664 million from RMB605 million in the Same Period of 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 six months ended 30 June 2022, the accumulated smart devices of Coocaa System in the PRC market was over 138 million. The Group's industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: iQIYI, an affiliate of Tencent and an affiliate of Baidu have all successively invested in Coocaa Technology.

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.

# Operational and Financial Review

## 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 six months ended 30 June 2022, revenue recorded for smart systems technology business in the mainland China market amounted to RMB3,751 million, representing an increase of RMB792 million or 26.8% from RMB2,959 million recorded in the Same Period of Previous Year. The revenue recorded in overseas markets amounted to RMB2,448 million, representing an increase of RMB808 million or 49.3% from RMB1,640 million recorded in the Same Period of Previous Year.

During the Current Period, despite a number of challenges such as the complex international political and economic environment, soaring price of raw material, exchange rate fluctuations and the on-going epidemic, the global efforts for developing a digital economy still brought opportunities. With the Group's years of technology experience and research and development capabilities, industry chain integration capabilities, supply chain as well as industrialisation capabilities, the Group was able to ensure on-time delivery of goods 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 impressive results 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 won remarkable results in the centralised procurement and tender of the three major domestic telecommunications operators. The market share of PON gateways has increased significantly.

The Group achieved growth in sales volume of set-top boxes and broadband network connection products in overseas market. The set-top box business successfully realised stable mass supply and recorded growth in revenue in Europe, Latin America and Africa and other regions, while the broadband network connection product business continued to grow steadily in regions such as India, Southeast Asia and Europe 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.

For the six months ended 30 June 2022, revenue recorded for smart appliance products in the mainland China market amounted to RMB1,490 million, representing an increase of RMB95 million or 6.8% as compared to RMB1,395 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB609 million, representing a decrease of RMB196 million or 24.3% as compared to RMB805 million recorded in the Same Period of Previous Year.

During the Current Period, while the sales in overseas markets declined as compared with the Same Period of Previous Year due to the impact of the epidemic and the weak export market for home appliances, the Group overcame difficulties to promote the sales growth of smart appliances business in the domestic market and continued to expand its online e-commerce business. The Group also took various measures to mitigate the impact of the epidemic on the offline channels, and thus managed to maintain a steady performance despite the volatile environment caused by the pandemic.

Due to the rapid growth of Skyworth Electric in terms of its own brand and 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 continued to move forward with the application for the proposed separate listing on the SZSE and received the notice of acceptance of such listing application at the end of the Previous Year. It is expected that the proceeds will be used for the production of popular products such as commercial freezers, multi-door refrigerators, clothes dryers and Gemini washing machines. The proceeds from the listing on the SZSE will strongly support Skyworth Electric to continue its steady development in the future. The Group will also construct an advanced research and development centre in the industrial park in Nanjing, strengthening the research and development capabilities of Skyworth Electric and striving for higher market share.

# Operational and Financial Review

In the future, Skyworth Electric will give full play to its core patented technologies, and further develop online and offline sales channels to increase its market share, in order to enhance the brand value of Skyworth Electric in the smart home appliances market.

#### 4. *New Energy Business*

For the six months ended 30 June 2022, the Group recorded a revenue of RMB4,206 million from the new energy business, representing an increase of RMB3,377 million or 407.4% as compared with RMB829 million recorded in the Same Period of Previous Year.

Due to global climate change, major countries have put forward their own new energy strategies and carbon neutrality target. The PRC government has set a clear policy on environmental protection and new energy. The "14th Five-Year Plan for Renewable Energy Development" clearly states that the annual power generation of renewable energy will reach about 3.3 trillion kWh by 2025, while wind power and solar power generation will be doubled during the "14th Five-Year" Plan. With the dual benefits of the "Double Carbon" goals and the "County-wide promotion" policy, the residential distributed photovoltaic market in the PRC has ushered in rapid development. In the face of such enormous market potentials, the Group followed the general trend of integrated development of modern energy, smart manufacturing and digital technology, and 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 distributed photovoltaic power stations. The Group's self-developed smart operation and maintenance system effectively integrates photovoltaic information with advanced Internet technology and digital information technology to fully realise the real-time digital management of residential photovoltaic power stations, thereby maximising the benefits of residential photovoltaic power stations.

During the Current Period, the Group's total installed capacity of distributed photovoltaic power stations was still of the top level in the industry. More than 50,000 residential photovoltaic power stations have been put into operation and connected to the power grid, with accumulated more than 100,000 residential photovoltaic power stations have been built and under grid-connected operation. 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 + Inclusive finance".

The Group is committed to the development of comprehensive new energy to be well-prepared for the forthcoming opportunities. In 2022, the Group will continue to vigorously develop its residential photovoltaic business and gradually develop industrial and commercial photovoltaic businesses, as well as the integrating smart energy management on the consumption side. The Group will build a strong brand image with flexible product solutions, high quality products and efficient operation and maintenance services, 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 six months ended 30 June 2022, revenue recorded for modern services business in the mainland China market amounted to RMB714 million, representing a decrease of RMB1,037 million or 59.2% as compared to RMB1,751 million recorded in the Same Period of Previous Year. There was no revenue in overseas markets during the Current Period (the Same Period of Previous Year: RMB236 million).

# Operational and Financial Review

During the Current Period, 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 the first half of 2022, 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 establish 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 searched for remarkable projects in the semiconductor, new materials and new equipment sectors closely related to the Group's business. In the future, the Group will maintain such investment approach to identify excellent projects in suitable sectors in China to create a win-win situation. Based on the development plan of the macro-logistics services industry, the logistics companies are committed to providing all-round supply chain logistics, factory logistics, sales and after-sales logistics, thereby reducing the logistics costs among various entities within the Group and 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 six months ended 30 June 2022, the overall gross profit margin of the Group was 16.0%, representing a decrease of 0.6 percentage points in comparison to 16.6% recorded in the Same Period of Previous Year.

In the past fiscal year, the global supply chain was dragged down by the epidemic, and therefore the electronics industry raised inventory levels and compressed gross margins. During the Current Period, TV panel prices of all sizes have been adjusted back to certain extent. We believed that the panel market has entered a period of adaptation and the downward trend of panel prices may continue, which would help alleviate the upward pressure on the costs of copper, aluminum, steel and other raw materials due to the impact arising from on-going epidemic and Russo-Ukrainian War. In addition, the gross profit margin of the new energy business was lower than that of other segments of the Group since it was in a period of rapid growth. While its sales have increased significantly year-on-year, the Group's overall gross profit margin has also declined slightly. The Group continued to promote the refined management of operations and adopted various comprehensive measures to improve the gross profit margin of products, so as to reduce group-wide operating costs and ensure healthy operations across the Group. It took various measures to cope with challenges such as rising raw materials and industry competition, including strengthening sales price control, increasing the proportion of high-margin products and expanding higher product research and development expenses to improve product quality, thereby enhancing the Group's pricing power and gross profit level.

## Expenses

For the six months ended 30 June 2022, the Group's selling and distribution expenses amounted to RMB1,604 million, representing a decrease of RMB251 million or 13.5% as compared to RMB1,855 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2022 was 6.6%, which decreased by 1.6 percentage points from 8.2% recorded in the Same Period of Previous Year.

# Operational and Financial Review

For the six months ended 30 June 2022, the Group's general and administrative expenses amounted to RMB696 million, representing an increase of RMB81 million or 13.2% compared with RMB615 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2022 was 2.9%, which increased by 0.2 percentage points from 2.7% recorded in the Same Period of Previous Year.

The Group continued to devote resources during the Current Period to the research and development of premium smart products, to improve its corporate competitiveness. In the first half of 2022, the global economy has been affected by unexpected factors such as epidemic rebound. However, with the continuous efforts of domestic economic stabilisation policies and the improvement of the epidemic prevention and control situation, the economy continued to stabilise and rebound. As a result, the Group increased its investment in research and development as compared to the Same Period of Previous Year. For the six months ended 30 June 2022, the Group's research and development expenses amounted to RMB1,001 million, representing an increase of RMB21 million or 2.1% as compared to RMB980 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2022 was 4.1%, which dropped by 0.2 percentage points from 4.3% recorded in the Same Period of Previous Year.

## LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 30 June 2022, net current assets amounted to RMB10,852 million, representing a decrease of RMB2,873 million or 20.9% as compared to RMB13,725 million as at 31 December 2021. As at 30 June 2022, bank balances and cash amounted to RMB9,823 million, representing a decrease of RMB788 million or 7.4% as compared to RMB10,611 million as at 31 December 2021. As at 30 June 2022, pledged and restricted bank deposits amounted to RMB2,648 million, representing an increase of RMB520 million or 24.4% as compared to RMB2,128 million as at 31 December 2021.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2022, such secured and restricted assets included bank deposits of RMB2,648 million (as at 31 December 2021: RMB2,128 million), trade receivables of RMB8 million (as at 31 December 2021: RMB10 million), bills receivables of RMB84 million (as at 31 December 2021: RMB66 million), investment properties of RMB1,164 million (as at 31 December 2021: RMB1,198 million), stock of properties of RMB102 million (as at 31 December 2021: RMB102 million) 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 RMB2,878 million (as at 31 December 2021: RMB2,774 million).

As at 30 June 2022, total bank loans amounted to RMB14,505 million (as at 31 December 2021: RMB14,262 million), corporate bonds (inclusive of interest) amounted to RMB902 million (as at 31 December 2021: corporate bonds (inclusive of interest) amounted to RMB921 million and convertible bonds (inclusive of interest) amounted to RMB962 million). Overall interest-bearing liabilities of the Group were RMB15,407 million (as at 31 December 2021: RMB16,145 million), equity attributable to owners of the Company amounted to RMB17,641 million (as at 31 December 2021: RMB18,045 million). The debt to equity ratio revealed as 71.7% (as at 31 December 2021: 76.6%).

## 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 unfavourable factors including the evolution of the COVID-19 pandemic, the continued tension in international relations and serious disruption of trade activities in related countries caused by Russo-Ukrainian War, the increasing uncertainty of the global economic recovery and the substantial upward adjustment in U.S. interest rates, it was difficult to predict the fluctuated exchange rate trend. For the six months ended 30 June 2022, the Group recorded a net exchange loss of RMB34 million (six months ended 30 June 2021: loss of RMB1 million) associated with general operation.

# Operational and Financial Review

In addition, the Group still held the following investments during the Current Period:

## (a) Unlisted equity securities

As at 30 June 2022, the Group held investments in 50 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB2,797 million, of which RMB956 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 30 June 2022, the Group held investments in eight (as at 31 December 2021: nine) listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 30 June 2022	Value of investment as of 30 June 2022 (RMB million)	Value of investment as of 31 December 2021 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Bank of Gansu Co., Ltd.	0.66%	88.1	122.9	The Stock Exchange of Hong Kong Limited	Financial services
Jiangsu Broadcasting Cable Information Network Corporation Limited	-	-	0.4	Shanghai Stock Exchange	TV channels, broadband, data services
Amlogic (Shanghai) Co., Ltd.	0.08%	34.2	44.0	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Linklogis Inc.	0.36%	55.3	49.7	The Stock Exchange of Hong Kong Limited	Provide supply chain fintech solutions services
Anhui Coreach Technology Co., Ltd.	1.21%	45.8	50.5	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services
Puya Semiconductor (Shanghai) Co., Ltd.	2.97%	233.4	340.1	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Guizhou Zhenhua E-chem Inc.	0.33%	100.6	64.0	Shanghai Stock Exchange	Research and development, design, production and sales of lithium-ion battery cathode materials
Shanghai Anlogic Infotech Co., Ltd.	2.91%	688.3	697.2	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Huitongda Network Co., Ltd.	1.61%	451.0	-	The Stock Exchange of Hong Kong Limited	Provide a one-stop supply chain trading and service platform
Chigo Holding Limited	3.39%	-	-	The Stock Exchange of Hong Kong Limited (Delisted on 4 April 2022)	Manufacture and sales of air conditioners

# Operational and Financial Review

To utilise advantages of 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, 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 its 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.

In addition, the smart life platform provided by Skyworth covered scenarios such as family, office and hotel. As a carrier of content service platforms, not only has Coocaa Technology promoted the innovation and operation of large-screen and home internet businesses, it has also realised the diversified mobile application of smart home and office and made a leap-forward enhancement for operating efficiency. With a team engaged in scaled large-screen internet operation, Coocaa Technology leverages on the advantages of Coocaa system, including a comprehensive range of contents, a powerful platform, as well as highly accurate and smart artificial intelligence. With its internet-based products designed around user experience, outstanding process of user traffic, precise advertisement delivery and management, as well as standardised encryption management for advertising traffic, Coocaa Technology has won industry recognition and wide praise among customers. We are of the view that the current investment in a company that mainly provide a stable and efficient one-stop supply chain trading service platform for domestic lower-tier retail enterprises as the medium and long-term strategic partners can achieve the goal of covering the retail market in all rural villages and suburban areas in non-Tier 1 and 2 cities in the PRC.

The management looks upon the other listed equity securities as medium to long-term investments, whose businesses are similar to those of the Group. The Group's judgment on their results coincides with the whole electronic industry, which is one of the main business sectors being advocated 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 and take necessary actions to cope with market changes.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Current Reporting Period, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB815 million in buildings and construction projects, including the expansion of its production plants in Ningbo, Wuhan, Shenzhen, Guangzhou and Qianhai, and RMB174 million for acquisition of other property, plant and equipment. 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 condensed consolidated financial statements of the Group.

# Operational and Financial Review

## HUMAN RESOURCES CAPITAL

As at 30 June 2022, the Group had around 29,500 employees (as at 31 December 2021: 34,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 25 branches and 19 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, provides guidance on position titles, salary norms, 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

As the global epidemic situation was still raging, the Group complied with relevant domestic and foreign epidemic prevention policies and measures, strictly implemented the internal epidemic prevention guidelines and measures formulated by the Group and enhanced the access management of the parks, in order to minimise the risk of the epidemic to operations and employees. Looking back at the epidemic prevention and control work across the country during the Current Period, the Group did not experience production suspension or delay in delivery in a number of its production bases and industrial parks. Besides, the Group will continue to maintain proactive preventive measures so that it can continue the usual operation despite the rebound of epidemic.

In addition, the Group will carefully analyse the uncertainties in the market environment, including the increase in interest rate by the United States and other major economies to curb inflation, geopolitical tensions in the world, on-going Sino-US bilateral trade and rising transportation costs. While making prudent and objective judgments and timely adjustments to its operational plans for scientific research, production, marketing, procurement and construction, the Group will also closely monitor the foreign exchange risks of export trade and imported raw materials, adopt flexible treasury management and cooperate with domestic and overseas financial institutions that offer the most favourable terms to stabilise borrowing costs. Apart from that, under the backdrop of increasing domestic credit risks, in addition to implementing the policy of deepening its cooperation with existing physical dealers and accelerating the expansion of online sales network, the Group will focus on risk management of receivable recovery to support the long-term and healthy development of the Group's business.

The Group will continue to firmly grasp the global opportunities for digitalisation, smartisation and low carbonisation. 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 fulfil 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. On the other hand, as a photovoltaic enterprise actively responding to the "Double Carbon" goal, Skyworth's new energy business will continue to adhere to technological innovation and long-term sustainability by following the market development trend and exerting its own capabilities in product know-how, in order to provide users with photovoltaic product solutions of higher quality and promote the development of green economy.



# Operational and Financial Review

Facing the tight global supply chain and the downturn in the global home appliances consumption market, Skyworth Group will continue to develop products with the "5G + AI + Device" technical development idea to promote the research and development and application of new technologies, new materials and new processes, as well as enhance product competitiveness, enterprise innovation and research and development strength. Supporting by the research and development of 5G home access systems and control systems, new generation of smart appliances and other products, the Group's operations will upgrade from manufacturing to modern services, from a hardware manufacturer to a developer and operator of smart home systems. We believe that the new generation of products with high gross profit margin and high output value can help the Group to maintain its leading position in the market and seize more market share of new smart home appliances.

## EVENTS AFTER THE REPORTING PERIOD

Up to the end of the Current Period and up to the date of this report, the Group did not have any material events.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

	Notes	Six months ended	
		30 June 2022 (unaudited)	30 June 2021 (unaudited)
Revenue			
Sales of goods		23,982	22,325
Leases		267	229
Interest under effective interest method		35	13
Total revenue	3	24,284	22,567
Cost of sales		(20,405)	(18,822)
Gross profit		3,879	3,745
Other income	5	627	603
Other gains and losses		(118)	150
Selling and distribution expenses		(1,604)	(1,855)
General and administrative expenses		(696)	(615)
Research and development expenses		(1,001)	(980)
Finance costs		(243)	(238)
Share of results of associates and joint ventures		(15)	2
Profit before taxation		829	812
Income tax expense	6	(198)	(202)
Profit for the period	7	631	610
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2)	(1)
Fair value gain (loss) on trade receivables at fair value through other comprehensive income ("FVTOCI")		2	(10)
Cumulative (loss) gain reclassified to profit or loss upon disposal of trade receivables at FVTOCI		(2)	13
		(2)	2
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value (loss) gain on investments in equity instruments at FVTOCI		(436)	523
Income tax relating to item that will not be reclassified subsequently		77	(82)
		(359)	441
Other comprehensive (expense) income for the period		(361)	443
Total comprehensive income for the period		270	1,053

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

	Note	Six months ended	
		30 June 2022 (unaudited)	30 June 2021 (unaudited)
Profit for the period attributable to:			
Owners of the Company		339	409
Non-controlling interests		292	201
		<b>631</b>	610
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(25)	849
Non-controlling interests		295	204
		<b>270</b>	1,053
<b>Earnings per share (expressed in Renminbi cents)</b>			
Basic	9	<b>12.98</b>	15.54
Diluted	9	<b>12.96</b>	14.44

# Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2022

Amounts expressed in millions of Renminbi

	Notes	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	7,195	6,619
Right-of-use assets	10	2,592	2,539
Deposits paid for purchase of property, plant and equipment		472	426
Investment properties		1,448	1,487
Goodwill		462	465
Other intangible assets		96	100
Interests in associates and joint ventures		258	267
Financial assets at fair value through profit or loss ("FVTPL")		1,642	1,318
Equity instruments at FVTOCI		1,498	1,593
Loan receivables	11	367	25
Deferred tax assets		761	683
Other non-current assets	13	375	309
		<b>17,166</b>	<b>15,831</b>
<b>Current Assets</b>			
Inventories		8,742	7,791
Stock of properties		6,945	5,612
Financial assets at FVTPL		1,374	1,538
Trade and bills receivables	12	9,825	12,142
Other receivables, deposits and prepayments	13	4,138	4,092
Loan receivables	11	462	977
Prepaid tax		273	159
Pledged and restricted bank deposits		2,648	2,128
Bank balances and cash		9,823	10,611
		<b>44,230</b>	<b>45,050</b>
<b>Current Liabilities</b>			
Trade and bills payables	14	10,866	11,869
Other payables	15	6,090	6,092
Other financial liabilities		370	375
Lease liabilities		51	56
Contract liabilities		5,358	3,291
Provision for warranty		278	224
Deferred income		181	210
Tax liabilities		200	239
Bank borrowings	16	9,108	8,892
Corporate bonds		876	77
		<b>33,378</b>	<b>31,325</b>
<b>Net Current Assets</b>		<b>10,852</b>	<b>13,725</b>
<b>Total Assets less Current Liabilities</b>		<b>28,018</b>	<b>29,556</b>

# Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2022

Amounts expressed in millions of Renminbi

	Notes	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
<b>Non-current Liabilities</b>			
Other payables	15	166	83
Other financial liabilities		135	340
Lease liabilities		81	95
Provision for warranty		131	135
Deferred income		284	265
Bank borrowings	16	5,397	5,370
Convertible bonds	17	-	956
Corporate bonds		-	798
Deferred tax liabilities		344	428
		<b>6,538</b>	8,470
<b>NET ASSETS</b>		<b>21,480</b>	21,086
<b>Capital and Reserves</b>			
Share capital	18	270	273
Reserves		17,371	17,772
Equity attributable to owners of the Company		<b>17,641</b>	18,045
Non-controlling interests		<b>3,839</b>	3,041
		<b>21,480</b>	21,086

# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
Amounts expressed in millions of Renminbi

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
At 1 January 2021 (audited)	273	2,360	107	-	165	40	1,900	(44)	11,509	16,310	2,681	18,991
Profit for the period	-	-	-	-	-	-	-	-	409	409	201	610
Exchange differences arising on translation of foreign operations	-	-	-	-	1	-	-	(5)	-	(4)	3	(1)
Fair value gain on receivables and equity instruments at FVTOCI, net of tax	-	-	-	-	431	-	-	-	-	431	-	431
Cumulative gain reclassified to profit or loss upon disposal of trade receivables at FVTOCI	-	-	-	-	13	-	-	-	-	13	-	13
Total comprehensive income (expense) for the period	-	-	-	-	445	-	-	(5)	409	849	204	1,053
Recognition of equity-settled share-based payments (Note 19)	-	-	2	-	-	-	-	-	-	2	-	2
Purchase of shares for unvested shares under the share award scheme (Note 19)	-	-	-	(79)	-	-	-	-	-	(79)	-	(79)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(55)	(55)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(30)	(30)	13	(17)
At 30 June 2021 (unaudited)	273	2,360	109	(79)	610	40	1,900	(49)	11,888	17,052	2,880	19,932
At 1 January 2022 (audited)	273	2,330	91	(79)	493	40	2,213	(70)	12,754	18,045	3,041	21,086
Profit for the period	-	-	-	-	-	-	-	-	339	339	292	631
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(5)	-	(5)	3	(2)
Fair value loss on receivables and equity instruments at FVTOCI, net of tax	-	-	-	-	(357)	-	-	-	-	(357)	-	(357)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	-	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Total comprehensive (expense) income for the period	-	-	-	-	(359)	-	-	(5)	339	(25)	295	270
Lapse of share option	-	-	(34)	-	-	-	-	-	34	-	-	-
Transfer to capital reserves	-	-	-	-	-	-	1	-	(1)	-	-	-
Exercise of share options	2	61	(24)	-	-	-	-	-	-	39	-	39
Purchase and cancellation of shares	(5)	(250)	-	-	-	-	-	-	-	(255)	-	(255)
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	(497)	(497)	-	(497)
Conversion of convertible bonds issued by a subsidiary	-	-	-	-	-	-	507	-	-	507	758	1,265
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(78)	(78)
Others	-	-	-	-	-	-	(173)	-	-	(173)	(177)	(350)
At 30 June 2022 (unaudited)	270	2,141	33	(79)	134	40	2,548	(75)	12,629	17,641	3,839	21,480

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Amounts expressed in millions of Renminbi

	Six months ended	
	30 June 2022 (unaudited)	30 June 2021 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,049	(1,403)
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	128	128
Acquisition of right-of-use assets	(99)	-
Purchase of and deposits paid for acquisition of property, plant and equipment	(1,067)	(701)
Loans advanced	(1,269)	(1,035)
Repayments of loan receivables	1,450	1,097
Investments in financial assets at FVTPL	(959)	(1,343)
Proceeds on disposal of financial assets at FVTPL	775	830
Investment in equity instruments at FVTOCI	(320)	-
Placement of pledged and restricted bank deposits	(1,511)	(250)
Withdrawal of pledged and restricted bank deposits	991	1,020
Placement of other deposits	-	(680)
Refund of other deposits	-	680
Other investing cash flows	5	52
	(1,876)	(202)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Dividends paid	(575)	(55)
Interest paid	(211)	(227)
Repurchases of shares by the Company	(255)	-
Purchase of shares for unvested shares under the share award scheme of the Company	-	(79)
New borrowings raised	7,286	9,608
Repayments of borrowings	(7,065)	(7,477)
Payments of lease liabilities	(37)	(35)
Other financing cash flows	(78)	20
	(935)	1,755
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(762)	150
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	10,611	8,214
Effect of foreign exchange rate changes	(26)	21
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	9,823	8,385

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue and expenses during the reporting period.

The Group's operations are seasonal. The revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2021.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3. REVENUE

### Disaggregation of revenue from contracts with customers, leases and interest under effective interest method

For the six months ended 30 June 2022 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	New energy business RMB million	Modern services business and others RMB million	Total RMB million
<b>Type of goods</b>						
Smart TV systems	8,369	53	-	-	27	8,449
Home access systems	8	5,064	-	-	-	5,072
Smart white appliances	18	-	1,815	-	20	1,853
Intelligent manufacturing	409	610	-	-	-	1,019
Internet value-added services of Coocaa system	664	-	-	-	-	664
Sales of properties	-	-	-	-	33	33
Automotive electronic systems	-	80	-	-	-	80
Photovoltaic products	-	-	-	4,158	-	4,158
Others (Note (a))	1,380	366	284	48	576	2,654
Contracts with customers	10,848	6,173	2,099	4,206	656	23,982
Leases	-	26	-	-	241	267
Interest under effective interest method (Note (b))	-	-	-	-	35	35
<b>Segment revenue</b>	<b>10,848</b>	<b>6,199</b>	<b>2,099</b>	<b>4,206</b>	<b>932</b>	<b>24,284</b>

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3. REVENUE – continued

### Disaggregation of revenue from contracts with customers, leases and interest under effective interest method – continued

For the six months ended 30 June 2021 (unaudited and restated)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	New energy business RMB million	Modern services business and others RMB million	Total RMB million
<b>Type of goods</b>						
Smart TV systems	10,626	86	-	-	38	10,750
Home access systems	36	2,872	-	-	-	2,908
Smart white appliances	30	-	1,998	-	11	2,039
Intelligent manufacturing	596	932	-	-	-	1,528
Internet value-added services of Coocaa system	605	-	-	-	-	605
Sales of properties	-	-	-	-	1,046	1,046
Automotive electronic systems	-	109	-	-	-	109
Photovoltaic products	-	-	-	829	-	829
Others (Note (a))	933	571	202	-	805	2,511
Contracts with customers	12,826	4,570	2,200	829	1,900	22,325
Leases	-	29	-	-	200	229
Interest under effective interest method (Note (b))	-	-	-	-	13	13
<b>Segment revenue</b>	<b>12,826</b>	<b>4,599</b>	<b>2,200</b>	<b>829</b>	<b>2,113</b>	<b>22,567</b>

Notes:

- (a) Others mainly represents manufacture and sales of lighting products, security system and other electronic products and trading of other products, etc.
- (b) Amount represents interest income from loan receivables under group entities in which the loan financing is a principal activity.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4. 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 since the second half of the year ended 31 December 2021. This led to a change in the segment reporting for the comparable period. Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

- |    |                                   |   |  |
|----|-----------------------------------|---|--|
| 1. | Multimedia business               | - | manufacture and sale of smart TV systems for the People's Republic of China (the "PRC") and overseas markets, intelligent manufacturing, provision and sales 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 use  |

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 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. Accordingly, these operating segments are grouped as "Modern services business and others".

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.





# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 5. OTHER INCOME

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
Government grants		
– related to assets	44	33
– related to expense items	146	175
	190	208
Interest income from		
– bank deposits	117	90
– loan receivables	6	38
– others	5	16
	128	144
Value-added-tax ("VAT") refund	120	123
Others	189	128
	309	251
	627	603

## 6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
Tax charge (credit):		
PRC Enterprise Income Tax ("EIT")	264	203
PRC land appreciation tax ("LAT")	1	21
Hong Kong Profits Tax	3	11
Taxation arising in other jurisdictions	8	43
Deferred taxation	(78)	(76)
	198	202

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2022 and 2021.

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 both periods. 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%.

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.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 6. INCOME TAX EXPENSE – continued

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed to foreign investors out of the profits generated since 1 January 2008 by the PRC entity shall be subject to Enterprise Income Tax 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. In March 2021, a new notice with the name of Caishui [2021] No. 13 “Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses” was released, and certain PRC subsidiaries are entitled to an additional 100% (for the six months ended 30 June 2021: 100%) tax deduction on eligible research costs incurred by them.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB14 million (for the six months ended 30 June 2021: RMB60 million)	20,279	18,139
Cost of stock of properties recognised as an expense	18	676
Depreciation of right-of-use assets	67	70
Less: capitalised as cost of inventories	(1)	(1)
capitalised as cost of construction in progress	(21)	(22)
	45	47
Depreciation of investment properties	44	40
Depreciation of property, plant and equipment	396	363
Less: capitalised as cost of inventories	(124)	(116)
	272	247
Staff costs, including directors' emoluments	2,245	2,247
Less: capitalised as		
– Cost of inventories	(542)	(574)
– Stock of properties	(7)	(5)
– Property, plant and equipment	(2)	(1)
	1,694	1,667
Rental income from leases less related outgoings of RMB108 million (for the six months ended 30 June 2021: RMB99 million)	(159)	(130)
Loss (gain) from changes in fair value of financial assets at FVTPL (included in other gains and losses)	43	(197)
Loss from changes in fair value of derivative financial instruments (included in other gains and losses)	106	42

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 8. DIVIDENDS

During the current interim period, a final dividend of 23 HK cents per share in respect of the year ended 31 December 2021 (2021: nil per share in respect of the year ended 31 December 2020) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB497 million (2021: nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 3 HK cents per share, in an aggregate amount of RMB69 million (2021: nil) will be paid to owners of the Company whose names appear in the register of members of the Company.

## 9. 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:

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	339	409
Effect of dilutive potential ordinary shares on convertible bonds of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange	-	(29)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	339	380
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,610,935,961	2,631,476,890
Effect of dilutive potential ordinary shares in respect of outstanding share options of the Company	4,807,877	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,615,743,838	2,631,476,890

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the six months ended 30 June 2022 and 2021. The computation of diluted earnings per share for the six months ended 30 June 2022 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 six months ended 30 June 2022.

The weighted average number of ordinary shares shown above has been adjusted for the repurchase of shares.



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the six months ended 30 June 2022, the Group had incurred RMB815 million (for the six months ended 30 June 2021: RMB409 million) in buildings and construction in progress, mainly for the development of factory buildings and office premises situated on land in the PRC, incurred RMB174 million (for the six months ended 30 June 2021: RMB197 million) on the acquisition of other property, plant and equipment for business operations and expansion.

For the six months ended 30 June 2022, the Group entered into new lease agreements for the use of properties ranging from 1 to 5 years (for the six months ended 30 June 2021: 1 to 6 years) and incurred RMB99 million (for the six months ended 30 June 2021: nil) on the acquisition of leasehold lands. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use asset and lease liability of RMB18 million (for the six months ended 30 June 2021: RMB35 million) except for short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

## 11. LOAN RECEIVABLES

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Fixed-rate loan receivables:		
Secured	745	646
Unsecured	84	356
	<b>829</b>	1,002
Analysed for reporting purpose as:		
Non-current assets	367	25
Current assets	462	977
	<b>829</b>	1,002

Included in the carrying amount of loan receivables as at 30 June 2022 is allowance for credit losses of RMB86 million (as at 31 December 2021: RMB124 million).

Included in the Group's loan receivables balance with aggregate carrying amount of RMB745 million (as at 31 December 2021: RMB646 million) are secured by borrowers' charge over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 30 June 2022 is an amount of approximately RMB306 million (as at 31 December 2021: RMB37 million) due from related parties (as at 31 December 2021: a related party) controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said related parties and guaranteed by the said substantial shareholder of the Company, interest bearing at 7.00% (as at 31 December 2021: 8.00%) per annum and repayable by instalments up to 8 June 2025 (as at 31 December 2021: 25 April 2022). The amount as at 31 December 2021 were fully repaid during the current interim period.

Included in the carrying amount of loan receivables as at 30 June 2022 of approximately RMB203 million (as at 31 December 2021: RMB258 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 6.80% to 8.00% (as at 31 December 2021: 8.00%) per annum and repayable in instalments up to final maturity dates ranging from 10 July 2022 to 19 June 2024 (as at 31 December 2021: 28 March 2022 to 4 July 2022).

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 11. 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:

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	462	977
In more than one year but not exceeding two years	220	13
In more than two years but not exceeding five years	147	12
	<b>829</b>	1,002

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	As at 30 June 2022	As at 31 December 2021
Effective interest rate:		
Fixed-rate loan receivables	4.80%–12.00%	4.90%–12.00%

## 12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Trade receivables at amortised cost		
– goods and services	8,382	9,162
– lease receivables	170	136
	<b>8,552</b>	9,298
Less: allowance for credit losses	(655)	(709)
	<b>7,897</b>	8,589
Trade receivables at FVTOCI	386	557
Bills receivables	1,542	2,998
Less: allowance for credit losses	–	(2)
	<b>9,825</b>	12,142

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 12. TRADE AND BILLS RECEIVABLES – continued

The following is an aged analysis of trade receivables at amortised cost and at FVTOCI:

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Within 30 days	4,933	4,866
31 to 60 days	1,300	1,716
61 to 90 days	712	823
91 to 180 days	604	939
181 to 270 days	242	338
271 to 365 days	194	233
Over 365 days	298	231
	<b>8,283</b>	<b>9,146</b>

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

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Within 30 days	237	357
31-60 days	186	465
61-90 days	198	753
91 days or over	837	1,355
Bills endorsed to suppliers with recourse	84	66
	<b>1,542</b>	<b>2,996</b>

As at 30 June 2022, bills receivables above of RMB84 million (as at 31 December 2021: RMB66 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 14.

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.

As at 30 June 2022, included in the trade receivables are amounts due from an associate and a related party of RMB115 million (as at 31 December 2021: RMB155 million) and RMB1 million (as at 31 December 2021: RMB23 million), with RMB116 million aged within 30 days (as at 31 December 2021: RMB141 million aged within 30 days and RMB37 million aged from 31 to 60 days). The credit period is 45 days. No allowance for credit losses is made for the six months ended 30 June 2022 and 2021.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Purchase deposits paid for materials	960	742
VAT and other tax recoverables	1,610	1,450
Consideration receivable for disposal of a subsidiary	366	366
Other deposits paid and prepayments	857	760
Other receivables	720	1,083
	<b>4,513</b>	<b>4,401</b>
Analysed for reporting purpose as:		
Current assets	4,138	4,092
Non-current assets	375	309
	<b>4,513</b>	<b>4,401</b>

## 14. TRADE AND BILLS PAYABLES

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Trade payables	7,636	8,736
Bills payables	3,230	3,133
	<b>10,866</b>	<b>11,869</b>

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 14. TRADE AND BILLS PAYABLES – continued

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Within 30 days	2,786	4,571
31 to 60 days	1,579	1,743
61 to 90 days	1,099	970
91 days or over	2,172	1,452
	<b>7,636</b>	<b>8,736</b>

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

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Within 30 days	560	531
31-60 days	690	482
61-90 days	444	467
91 days or over	1,536	1,653
	<b>3,230</b>	<b>3,133</b>

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

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15. OTHER PAYABLES

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Provision for rebates (Note)	906	1,369
Accrued staff costs	796	1,043
Accrued selling and distribution expenses	305	268
Deposits received from sub-contractors	1,055	607
Payables for purchase of property, plant and equipment	500	445
Rental deposits received	169	104
VAT and other tax payables	518	396
Other deposits received	375	351
Accruals and other payables	1,632	1,592
	<b>6,256</b>	6,175
Analysed for reporting propose as:		
Current liabilities	6,090	6,092
Non-current liabilities	166	83
	<b>6,256</b>	6,175

Note: The amounts represent outstanding rebates in relation to the goods sold to certain customers.

## 16. BANK BORROWINGS

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Bank borrowings comprise the following:		
Secured	6,858	6,853
Unsecured	7,647	7,409
	<b>14,505</b>	14,262

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 16. BANK BORROWINGS – continued

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	9,108	8,892
More than one year but not exceeding two years	2,166	2,043
More than two years but not exceeding five years	1,594	2,180
Over five years	1,637	1,147
	<b>14,505</b>	14,262
Less: amounts due within one year shown under current liabilities	<b>(9,108)</b>	(8,892)
Amounts shown under non-current liabilities	<b>5,397</b>	5,370

## 17. CONVERTIBLE BONDS

During the current interim period, Skyworth Digital exercised the mandatory redemption clause pursuant to the relevant convertible bond agreements with a notice period of 3 weeks to the bondholders. As at 30 June 2022, all convertible bonds that were not converted by their holders to ordinary shares of Skyworth Digital upon the expiry of the above notice period have been redeemed by Skyworth Digital.

## 18. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30 June 2022	Year ended 31 December 2021	Six months ended 30 June 2022 RMB million (unaudited)	Year ended 31 December 2021 RMB million (audited)
Ordinary shares of HK\$0.1 each:				
<b>Authorised:</b>				
At beginning and at end of the period/year	<b>10,000,000,000</b>	10,000,000,000	<b>1,063</b>	1,063
<b>Issued and fully paid:</b>				
At beginning of the period/year	<b>2,667,229,420</b>	2,668,129,420	<b>273</b>	273
Purchase of own shares for cancellation	<b>(64,084,000)</b>	(29,056,000)	<b>(5)</b>	(2)
Issue of shares upon exercise of share options of the Company	<b>23,524,000</b>	28,156,000	<b>2</b>	2
At end of the period/year	<b>2,626,669,420</b>	2,667,229,420	<b>270</b>	273

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 19. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 *Share-based Payments* to account for its share options and share awards.

### Share options of the Company

The followings are the movements in the outstanding share options granted by the Company during the Current Period and prior year.

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period/year	93,342,000	4.017	121,498,000	3.737
Exercised during the period/year	(23,524,000)	2.712	(28,156,000)	2.808
Lapsed during their period/year	(33,810,000)	4.216	-	-
Outstanding at the end of the period/year	36,008,000	4.683	93,342,000	4.017
Exercisable at the end of the period/year	36,008,000		93,342,000	

The Group has not recognised any expense for the period (for the six months ended 30 June 2021: RMB2 million) in relation to share options granted by the Company.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

### Share awards of the Company

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 of the Company were acquired through the 2020 Share Award Scheme at a total consideration of RMB79 million. As at 30 June 2022 and 31 December 2021, none of the awarded shares under the 2020 Share Award Scheme were granted.



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's financial instruments that are measured at fair value at 30 June 2022 and 31 December 2021 by fair value hierarchy:

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 30 June 2022</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	135	21	2,860	3,016
Equity instruments at FVTOCI	88	-	1,410	1,498
Trade receivables at FVTOCI	-	386	-	386
	223	407	4,270	4,900
<b>Financial liabilities</b>				
Derivative financial instruments	-	(75)	-	(75)
<b>At 31 December 2021</b>				
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
Derivative financial instruments	-	(106)	(172)	(278)

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

### (a) 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		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 RMB million (unaudited)	31 December 2021 RMB million (audited)		
<b>Financial assets at FVTPL other than derivative financial instruments</b>				
Listed equity securities	135	145	Level 1	Quoted bid prices in an active market
Unlisted equity securities	1,675	1,316	Level 3 (Note (a))	Market approach  Valuations are derived by the earnings attributable to owners of the investment, trading multiples of comparable companies and discount for lack of marketability.
Unlisted investment funds	163	282	Level 3 (Note (b))	Discounted cash flow  Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at rates that reflect the credit risk of various counterparties.
Listed equity securities with restrictions for sale	1,022	1,101	Level 3 (Note (c))	Quoted bid prices of the same listed securities in an active market and adjustment for the factor of trading restrictions.
	<b>2,995</b>	<b>2,844</b>		
<b>Equity instruments at FVTOCI</b>				
Unlisted equity securities	959	1,470	Level 3 (Note (d))	Market approach  Valuations are derived by the earnings attributable to owners of the investment, trading multiples of comparable companies and discount for lack of marketability.
Listed equity securities	88	123	Level 1	Quoted bid prices in an active market
Listed equity securities with restriction for sale	451	–	Level 3 (Note (c))	Quoted bid prices of the same listed securities in an active market and adjustment for the factor of trading restrictions.
	<b>1,498</b>	<b>1,593</b>		

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

### (a) 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		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 RMB million (unaudited)	31 December 2021 RMB million (audited)		
<b>Trade receivables at FVTOCI</b>				
Trade receivables	386	557	Level 2	Discounted cash flow  Future cash flows are estimated based on expected settlement and discounted at rate that reflects the credit risk of the counterparties.
<b>Derivative financial instruments:</b>				
Foreign currency forward contracts – assets (included in financial assets at FVTPL)	21	12	Level 2	Discounted cash flow
Foreign currency forward contracts – liabilities (included in other financial liabilities)	(75)	(80)	Level 2	Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.
Cross – currency swap contract – liabilities (included in other financial liabilities)	-	(26)	Level 2	Discounted cash flow  Future cash flows are estimated based on observable spot and forward exchange rates and yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
Derivative component of the convertible bonds (included in other financial liabilities)	N/A	(172)	Level 3 (Note (e))	Binomial option pricing model  Fair value is estimated based on share price, exercise price of Skyworth Digital, risk free rate, expected volatility and dividend yield.
	(54)	(266)		

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

### (a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued*

Notes:

- (a) Discount for lack of marketability of 25% (31 December 2021: 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% (31 December 2021: 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 RMB97 million (31 December 2021: RMB240 million).
- (b) Expected yield of 3.4% (31 December 2021: 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 funds, and vice versa. A 5% (31 December 2021: 5%) increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment funds by RMB2 million (31 December 2021: RMB2 million).
- (c) Discount for prohibition of trading on the same listed entities of 4-11% (31 December 2021: 11-14%) 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% (31 December 2021: 5%) 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 RMB79 million (31 December 2021: RMB63 million).
- (d) Discount for lack of marketability of 15% (31 December 2021: 15%) 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% (31 December 2021: 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 RMB18 million (31 December 2021: RMB38 million).
- (e) As at 31 December 2021, expected volatility of the share price of Skyworth Digital of 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% increase in the share price of Skyworth Digital and 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 and RMB69 million, respectively. As at 30 June 2022, all convertible bonds that were not converted by their holders to ordinary shares of Skyworth Digital upon the expiry of the notice period have been redeemed by Skyworth Digital.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

### (b) Reconciliation of Level 3 fair value measurements of financial assets that are measured at fair value on a recurring basis

	Financial assets at FVTPL			Equity instruments at FVTOCI	
	Unlisted equity securities RMB million	Unlisted investment funds RMB million	Listed equity securities with restriction for sale RMB million	Unlisted equity securities RMB million	Listed equity securities with restriction for sale RMB million
At 1 January 2022 (audited)	1,316	282	1,101	1,470	-
Gain (loss) from changes in fair value of equity instruments at FVTPL (Note (a))	52	4	(79)	-	-
Fair value loss (gain) on investments in equity instruments at FVTOCI (Note (b))	-	-	-	(511)	113
Investments	307	652	-	-	320
Disposals	-	(775)	-	-	-
Exchange alignment	-	-	-	-	18
<b>At 30 June 2022 (unaudited)</b>	<b>1,675</b>	<b>163</b>	<b>1,022</b>	<b>959</b>	<b>451</b>
At 1 January 2021	1,076	167	-	1,088	-
Gain from changes in fair value of equity instruments at FVTPL	99	2	-	-	-
Fair value gain on investments in equity instruments at FVTOCI	-	-	-	547	-
Investments	63	1,280	-	-	-
Disposals	(64)	(766)	-	-	-
Transfer	30	(30)	-	-	-
Transfer out of level 3 (Note (c))	(43)	-	-	-	-
<b>At 30 June 2021 (unaudited)</b>	<b>1,161</b>	<b>653</b>	<b>-</b>	<b>1,635</b>	<b>-</b>

Notes:

(a) Such fair value gains or losses are included in "other gains and losses".

(b) Such gains and losses are included and are reported as changes of "FVTOCI reserve".

(c) During the six months ended 30 June 2021, 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.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

### (c) Fair value measurements and valuation processes

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 are disclosed above.

The directors of the Company consider that there has been no changes in the business or economic circumstances that affect the fair value of the Group's financial instruments.

## 21. PLEDGE OF AND RESTRICTION ON ASSETS

At the end of reporting period, the Group's borrowings were pledged and secured by the following:

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Right-of-use assets and leasehold land and buildings	2,878	2,774
Investment properties	1,164	1,198
Stock of properties	102	102
Trade receivables	8	10
Bills receivables	84	66
	<b>4,236</b>	<b>4,150</b>

The pledged and restricted bank deposits as set out in the condensed consolidated financial statements are pledged to secure bank borrowings or placed in restricted bank accounts in accordance with the applicable regulations and requirements.

In addition, the Group's corporate bonds are secured by the equity interest of a subsidiary.

## 22. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 30 June 2022 RMB million (unaudited)	As at 31 December 2021 RMB million (audited)
Contracted but not provided for, in respect of acquisition of property, plant and equipment	1,526	1,789

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 23. CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of 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 condensed consolidated financial statements of the Group.

## 24. RELATED PARTY DISCLOSURES

### (a) Related party transactions

During the Current Period, in addition to the related party transactions disclosed elsewhere in the condensed consolidated financial statements, the Group also has the following transactions with related parties:

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
<b>Associates</b>		
Sales of finished goods and service fee income	109	431
<b>Joint ventures</b>		
Sales of finished goods and service fee income	1	1
<b>Related parties</b>		
Sale of automobile components to a related party (Note (i))	2	-
Interest income from loan receivables from related parties (Note (i))	5	5
Purchase of motor vehicles from a related party (Note (i))	-	4
Service fees paid for development of a software system (Note (i))	3	-
Consultancy fee paid to a substantial shareholder of the Company	1	1
Sale of electronic products to a related party (Note (ii))	75	76

Notes:

- (i) The relevant related parties are controlled by a substantial shareholder of the Company.
- (ii) The relevant related parties are controlled by the spouse of a director of the Company.

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the Current Period was as follows:

	Six months ended	
	30 June 2022 RMB million (unaudited)	30 June 2021 RMB million (unaudited)
Short-term benefits	49	34
Share-based payments	-	1
	49	35

The remuneration of directors and other key management is reviewed by the Remuneration Committee having regard to the responsibilities and performance of the relevant individuals and market trends.

# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF SKYWORTH GROUP LIMITED**

創維集團有限公司

*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyworth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August 2022



# Corporate Governance and Other Information

## REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Current Period were reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

## INTERIM DIVIDEND

The Board has declared an interim dividend for the Current Period of HK3 cents (in cash) per Share (for the six months ended 30 June 2021: nil), totalling approximately RMB69 million (for the six months ended 30 June 2021: 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 Thursday, 15 September 2022.

## CLOSURE OF THE REGISTER OF MEMBERS FOR INTERIM DIVIDEND

The register of members of the Company will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around Monday, 26 September 2022, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 9 September 2022.

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 30 June 2022, 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 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 Shares held	Approximate percentage of the total number of issued Shares (Note e)
Lin Jin	Beneficial owner	3,898,719	0.15%
Liu Tangzhi	Beneficial owner	10,000,000	0.38%
Lin Wei Ping	Beneficial owner	9,160,382	0.35%
	Held by spouse (Notes a and b)	1,238,258,799	47.14%
	(Notes a and c)	1,247,419,181	47.49%
Lam Shing Choi, Eric	Beneficial owner	2,000,000	0.08%
Lai Weide (Note d)	Beneficial owner	10,000,000	0.38%
Li Weibin	Beneficial owner	1,000,000	0.04%

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – continued

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

#### The Company – continued

##### Notes:

- (a) 37,300,000 Shares are held by Mr. Wong and 1,200,958,799 Shares 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. As such, Mr. Wong is interested and deemed to be interested in 1,238,258,799 Shares.
- (b) Ms. Lin Wei Ping is interested in 1,247,419,181 Shares, 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.
- (c) Mr. Wong is interested in 1,247,419,181 Shares, 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) Mr. Lai Weide resigned as an Executive Director and the Chairman with effect from 7 July 2022.
- (e) The calculation is based on the total number of issued Shares of the Company (i.e. 2,626,669,420 Shares) as at 30 June 2022.
- (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 b)
Lai Weide (Note a)	Beneficial owner	750,000	0.07%
Liu Tangzhi	Beneficial owner	600,000	0.05%
Shi Chi	Beneficial owner	36,770,524	3.20%

##### Notes:

- (a) Mr. Lai Weide resigned as an Executive Director and the Chairman with effect from 7 July 2022.
- (b) The calculation is based on the total number of issued shares of Skyworth Digital Co., Ltd., which is a 52.55% owned subsidiary of the Company, (i.e. 1,150,216,072 shares) as at 30 June 2022.

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – continued

### (b) Share Options of the Company

The Company adopted the 2014 Share Option Scheme and 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 Current Period:

#### Directors

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 June 2022
				Outstanding as at 1 January 2022	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period (Note c)	
<b>Directors:</b>								
<b>Lai Weide (Note d)</b>								
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)	-	0
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	-	(3,000,000)	-	0
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	-	(3,000,000)	-	0
<b>Liu Tangzhi</b>								
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)	-	0
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	-	(3,000,000)	-	0
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	-	(3,000,000)	-	0
<b>Lam Shing Choi, Eric</b>								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	800,000	-	(800,000)	-	0
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	600,000	-	(600,000)	-	0
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	600,000	-	(600,000)	-	0
<b>(a) Sub-total (Directors)</b>				<b>32,000,000</b>	<b>-</b>	<b>(22,000,000)</b>	<b>-</b>	<b>10,000,000</b>

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – continued

### (b) Share Options of the Company – continued

#### Employees

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				Outstanding as at 30 June 2022
				Outstanding as at 1 January 2022	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period (Notes c)	
<b>Employees:</b>								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,178,000	-	(154,000)	(8,430,000)	5,594,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	15,780,000	-	(104,000)	(9,146,000)	6,530,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,404,000	-	(236,000)	(14,184,000)	10,984,000
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	-	-	(500,000)	0
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	-	-	(500,000)	0
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	-	-	(500,000)	0
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	-	-	(500,000)	0
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	1,148,000	-	(224,000)	(20,000)	904,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	1,096,000	-	(453,000)	(15,000)	628,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	1,736,000	-	(353,000)	(15,000)	1,368,000
<b>(b) Sub-total (Employees)</b>				<b>61,342,000</b>	<b>-</b>	<b>(1,524,000)</b>	<b>(33,810,000)</b>	<b>26,008,000</b>
<b>Grand Total: (a) Directors + (b) Employees</b>				<b>93,342,000</b>	<b>-</b>	<b>(23,524,000)</b>	<b>(33,810,000)</b>	<b>36,008,000</b>

#### 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\$4.97.
- (c) No share options were cancelled during the Current Period.
- (d) Mr. Lai Weide resigned as an Executive Director and the Chairman with effect from 7 July 2022. As such, 10,000,000 share options (exercise price HK\$6.32) were lapsed on the same date.

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – *continued*

### (c) Awarded Shares of the Company

As at 30 June 2022, none of the Directors or chief executives, or their associates, had any interests in the awarded shares granted under the Company's 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, or their associates, had 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) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2022, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the Current Period.

### Arrangements for the Directors to purchase Shares or Debentures

Save as disclosed above, at no time during the Current Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Current Period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following substantial shareholders had notified the Company of the relevant interests in the issued Shares:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the total number of issued Shares (Note c)
<b>Long positions</b>			
Target Success	Trustee (Note a)	1,200,958,799	45.72%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.42%
	Held by spouse (Note b)	9,160,382	0.35%
	Interest of controlled corporation (Note a)	1,200,958,799	45.72%
		1,247,419,181	47.49%

#### Notes:

- (a) 1,200,958,799 Shares 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. As such, Mr. Wong is deemed to be interested in 1,200,958,799 Shares.
- (b) Ms. Lin Wei Ping is interested in 1,247,419,181 Shares, 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. She is also the sole director of Target Success.
- (c) The calculation is based on the total number of issued Shares of the Company (i.e. 2,626,669,420 Shares) as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any other interests or short positions representing 5% or more of the number of shares of the Company in issue as recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Corporate Governance and Other Information

## SHARE AWARD SCHEME

The Board adopted 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 Current Period, the Company did not purchase any Shares from market through an independent trustee. As at 30 June 2022, the independent trustee holds 40,000,000 Shares 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.

As at 30 June 2022, none of the awarded shares under the 2020 Share Award Scheme were granted and none of the Directors had any interests in the awarded shares under the 2020 Share Award Scheme.

During the Current Period, cash dividend of HK\$9,200,000 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. The trustee may, after having taken into consideration the advice of the Company, apply the cash deposited by the Company to purchase shares of the Company in the market, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of the Share Award Scheme, or return such cash or shares to the Company.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2022.

## RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into certain transactions with related parties under the applicable accounting principles, details of which are set out in note 24 of the condensed consolidated financial statements. These transactions were not connected transactions within the meaning of the Listing Rules and were mainly entered into by the Group in the ordinary course of business and the terms were on normal commercial terms and on an arm's length basis. Other than these related party transactions, the Group also entered into certain transactions with connected persons of the Company within the meaning of the Listing Rules. These connected transactions all fall under the de minimis provision set forth in Rule 14A.76(1) of the Listing Rules and are therefore fully exempted from the reporting, announcement and independent shareholders' approval requirements. The Group has performed regular review on the connected transactions in accordance with its corporate governance practice.

## CONNECTED TRANSACTIONS/CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

### Connected Transaction

During the Current Period and up to the date of this report, member of the Group has entered into the following connected transaction:

1. On 8 June 2022, Nanjing Skyworth Information entered into the Software Development Agreement with Nanjing Coolwell, pursuant to which Nanjing Coolwell is commissioned to develop for Nanjing Skyworth Information the Software, a multimedia smart TV software system for automobile applications, at a consideration of RMB9,030,000 (excluding tax payable). As Nanjing Coolwell is indirectly controlled by Mr. Wong, the controlling shareholder of the Company, it is an associate of Mr. Wong and hence a connected person of the Company under the Listing Rules. Accordingly, the Software Development Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details on the Software Development Agreement are set out in the Company's announcement dated 8 June 2022.

# Corporate Governance and Other Information

## CONNECTED TRANSACTIONS/CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER – *continued*

### Continuing Connected Transactions

During the Current Period and up to the date of this report, members of the Group have entered into the following continuing connected transactions:

1. On 25 April 2019, Shenzhen Chuangwei Financial Leasing entered into the 2019 Leaseback Agreement with Nanjing Golden Dragon Bus, 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 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the 2019 Leaseback Agreement. Details of the transaction were announced by the Company on 25 April 2019.

The maximum leasing principal amount under the 2019 Leaseback Agreement at any point of time during the Current Period was RMB40 million. As of 25 February 2022, all outstanding amount under the 2019 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 2019 Leaseback Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2. 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 annual cap in respect of the sale of products by SSDT to Xiaopai under the 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 previous 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 Framework Agreement. Details of the transaction were announced by the Company on 23 December 2021.
3. On 24 February 2022, Shenzhen Chuangwei Financial Leasing entered into the Feb-2022 Leaseback Agreements with Nanjing Golden Dragon Bus, Nanjing Chuangyuan Tiandi Energy and Nanjing Skywell Heavy Industries, pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production equipment, project assets, transportation and electricity equipment in favour of the lessees at an initial sale price of RMB135 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the Feb-2022 Leaseback Agreements. Details of the transactions were announced by the Company on 24 February 2022 and 25 February 2022.

As at the end of the Current Period, the actual leasing principal amount under the Feb-2022 Leaseback Agreements was RMB135 million. The maximum leasing principal amount under the Feb-2022 Leaseback Agreements at any point of time during the Current Period was RMB135 million.

The equity interests of Nanjing Golden Dragon Bus, Nanjing Chuangyuan Tiandi Energy and Nanjing Skywell Heavy Industries are indirectly held by Mr. Wong as to approximately 63.35%, 71.99% and 71.99% respectively, and each of the lessees is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Feb-2022 Leaseback Agreements and the transactions contemplated respectively thereunder, being financial assistance provided by Shenzhen Chuangwei Financial Leasing in favour of the lessees, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

# Corporate Governance and Other Information

## CONNECTED TRANSACTIONS/CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER – *continued*

### Continuing Connected Transactions – *continued*

- On 22 March 2022, Shenzhen Chuangwei Financial Leasing entered into the Mar-2022 Leaseback Agreement with Nanjing Golden Dragon Bus, pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production, transportation and electricity equipment in favour of Nanjing Golden Dragon Bus at an initial sale price of RMB110 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the Mar-2022 Leaseback Agreement. Details of the transaction were announced by the Company on 22 March 2022.

As at the end of the Current Period, the actual leasing principal amount under the Mar-2022 Leaseback Agreement was RMB110 million. The maximum leasing principal amount under the Mar-2022 Leaseback Agreement at any point of time during the Current Period was RMB110 million.

The equity interests of Nanjing Golden Dragon Bus held by Mr. Wong as to approximately 63.35% and Nanjing Golden Dragon Bus is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Mar-2022 Leaseback Agreement and the transactions contemplated respectively thereunder, being financial assistance provided by Shenzhen Chuangwei Financial Leasing in favour of Nanjing Golden Dragon Bus, constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

- On 27 April 2022, Skyworth Automobile entered into the Procurement Agreement with Nanjing Golden Dragon Bus, pursuant to which Skyworth Automobile will, upon its acceptance of purchase orders placed by Nanjing Golden Dragon Bus, supply automobile components manufactured by it to Nanjing Golden Dragon Bus for a term of one year commencing from 1 January 2022 to 31 December 2022 up to an annual cap of RMB25 million. Details of the transaction were announced by the Company on 27 April 2022.

The equity interests of Nanjing Golden Dragon Bus held by Mr. Wong as to approximately 63.35% and Nanjing Golden Dragon Bus is an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Procurement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

- On 8 June 2022, Shenzhen Chuangwei Financial Leasing entered into the Jun-2022 Leaseback Agreements with Nanjing Golden Dragon Bus, Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell, pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production, transportation, electricity and office equipment in favour of the lessees at an initial sale price of RMB60 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the Jun-2022 Leaseback Agreements. Details of the transaction were announced by the Company on 8 June 2022.

As at the end of the Current Period, the actual leasing principal amount under the Jun-2022 Leaseback Agreement was RMB60 million. The maximum leasing principal amount under the Jun-2022 Leaseback Agreement at any point of time during the Current Period was RMB60 million.

The equity interests of Nanjing Golden Dragon Bus, Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell are indirectly held by Mr. Wong as to approximately 63.35%, 71.99%, 71.99% and 71.99% respectively, and each of the lessees is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Jun-2022 Leaseback Agreements and the transactions contemplated respectively thereunder, being financial assistance provided by Shenzhen Chuangwei Financial Leasing in favour of the lessees, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.



# Corporate Governance and Other Information

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the Company's last published annual report and up to the date of this interim report are set out below:

Mr. Liu Tangzhi, an Executive Director of the Company, ceased to be the Chief Executive Officer and was redesignated as the Vice Chairman with effect from 30 April 2022.

Mr. Shi Chi, an Executive Director of the Company, was appointed as the Chief Executive Officer with effect from 30 April 2022. Pursuant to the service contract entered into between Mr. Shi and the Group, Mr. Shi's term of service is three years commencing from 30 April 2022 to 29 April 2025, and he is entitled to (i) a director's fee of RMB500,000 per annum; (ii) a salary of up to RMB3,000,000 per annum, comprising the fixed director's salary of RMB2,000,000 and a performance salary of up to RMB1,000,000 determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iii) an annual bonus based on the performance of the Group.

Mr. Lin Jin, an Executive Director of the Company, was appointed as the Chairman and the chairperson of the Executive Committee with effect from 7 July 2022. Pursuant to the service contract entered into between Mr. Lin and the Group, Mr. Lin's term of service is three years commencing from 7 July 2022 to 6 July 2025, and he is entitled to (i) a director's fee of RMB500,000 per annum; (ii) a salary of up to RMB3,000,000 per annum, comprising the fixed director's salary of RMB2,000,000 and a performance salary of up to RMB1,000,000 determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iii) an annual bonus based on the performance of the Group.

Mr. Lam Shing Choi, Eric, an Executive Director and the Company Secretary of the Company, entered into a supplemental service contract with the Company. Pursuant to the supplemental service contract, with effect from 26 August 2022, Mr. Lam is entitled to (i) a director's fee of RMB500,000 per annum; (ii) a salary of up to RMB2,500,000 per annum, comprising the fixed director's salary of RMB1,500,000 and a performance salary of up to RMB1,000,000 determined by his performance achievement in reference to the Group's annual performance assessment policy; and (iii) an annual bonus based on the performance of the Group.

Mr. Hung Ka Hai, Clement, an Independent Non-executive Director of the Company, has resigned as 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) with effect from 15 July 2022. With effect from 18 July 2022, Mr. Hung has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318).

## MODEL CODE

The Company has adopted the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Current Period.

# Corporate Governance and Other Information

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

During the Current Period, the Board considered repurchase of Shares would lead to an enhancement of the earnings per Share and overall shareholders return, thus the Company has purchased a total of 64,084,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$299.18 million (excluding expenses). All the Repurchased Shares were cancelled on 25 May 2022. As at 30 June 2022, the total number of Shares in issue was 2,626,669,420.

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\$)	
January 2022	23,554,000	5.50	4.95	121,153,041.00
April 2022	896,000	3.97	3.86	3,524,326.40
May 2022	39,634,000	4.50	4.18	174,498,480.00
<b>Total</b>	<b>64,084,000</b>	<b>-</b>	<b>-</b>	<b>299,175,847.40</b>

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the Current Period.

## CORPORATE GOVERNANCE STANDARDS

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 CG Code.

During the Current Period and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2021 annual report.

## BOARD COMMITTEES

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group. 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 summary of which were disclosed in the "Corporate Governance Report" of the Company's 2021 annual report. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website (<http://investor.skyworth.com/en/index.php>) and the website of the Stock Exchange. All committees are provided with sufficient resources to discharge their duties.

### Executive Committee

The Executive Committee was established by the Board on 5 February 2005. The Executive Committee currently comprises 7 members, including several Executive Directors and senior management of the Company. During the Current Period and up to the date of this report, the Executive Committee had held monthly meetings to review, discuss and evaluate the business performance and other business and operational matters of each major subsidiary within the Group.

# Corporate Governance and Other Information

## BOARD COMMITTEES – *continued*

### 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 updated and approved on 30 March 2012 and 25 August 2017. The Nomination Committee is comprised of 4 members. The chairperson of the Nomination Committee is Mr. Hung Ka Hai, Clement and the other members are Ms. Lin Wei Ping, Mr. Li Weibin and Mr. Cheong Ying Chew, Henry. Except for Ms. Lin Wei Ping is an Executive Director, all remaining 3 members are Independent Non-executive Directors.

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy which setting 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 board diversity 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 board diversity 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.

During the Current Period and up to the date of this report, the Nomination Committee held 4 meetings to review the composition of the Board; to review and assess the independence of Independent Non-executive Directors; and to consider and recommend to the Board the redesignation of an Executive Director from Chief Executive Officer to the Vice Chairman, the appointment of Chief Executive Officer, the appointment of Chairman and chairperson of the Executive Committee, the re-appointment of an Independent Non-executive Director and the re-engagement of the consultant of the Group.

### 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 is comprised of 4 members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Ms. Lin Wei Ping, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement. Except for Ms. Lin Wei Ping is an Executive Director, the remaining 3 members of the Remuneration Committee are Independent Non-executive Directors.

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.

During the Current Period and up to the date of this report, the Remuneration Committee held 5 meetings to review and recommend to the Board the bonus payable to the Directors and senior management of the Company, the scheme of special bonus to the executive teams of the Group for the financial year 2022 and the proposal for the grant of awarded shares; and to consider and recommend to the Board the service contracts of three Executive Directors, the renewal of the appointment letter of an Independent Non-executive Director and the renewal of consultancy contract of the consultant of the Group.

# Corporate Governance and Other Information

## BOARD COMMITTEES – *continued*

### 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. The Audit Committee is comprised of 3 Independent Non-executive Directors. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Hung Ka Hai, Clement.

During the Current Period and up to the date of this report, the Audit Committee held 3 meetings and performed the following duties:

- (a) to review and comment on the Company's annual and interim financial reports;
- (b) to review the unaudited 2022 first quarterly results of the Company;
- (c) to oversee the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
- (d) to review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
- (e) to discuss on the Group's internal audit plan with the Risk Management Department;
- (f) to review the continuing connected transactions; and
- (g) to meet and communicate with the external auditors for audit works of the Group.

## CORPORATE SUSTAINABILITY

The Company is committed to maintain a high standard of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment can enhance shareholders' value in the long run.

Under the capable leadership, the Board will certainly maintain a high degree of transparency and good corporate governance practices, and the Company will surely retain its competitive edge in the market.

### Environmental Protection

The Company recognised environmental protection as an important part of corporate social responsibility. Therefore, the Group has implemented various green measures in cooperation with its business partners for energy conservation and emission reduction, with an aim to mitigate the adverse impact on the environment. By actively promoting public awareness of environmental protection and providing guidelines to different business segments, we intend to integrate the Group's environmental protection strategies into every aspect of our operation, and finally realise its vision of attaining "Green Skyworth, Green Audio-visual, Green World".

The Company has adopted, in a comprehensive manner, the internationally recognised Environmental Management System (ISO 14001:2015) and Energy Management System (ISO 50001:2011) as the guiding principles of the Group in environmental protection. The Group's environmental policy comprises four main strategies, namely "Production Design", "Operational Energy Saving", "Concepts of Environmental Protection" and "Clean Energy".

The "Production Design" strategy aims to optimise the overall production system such as streamlining the production procedure, increasing the mould utilisation rate and considering the use of recycled materials to minimise resources consumption. With the "Operational Energy Saving" strategy, the Group will relentlessly promote the environmental awareness culture and embed the conservation value to its workforce. The Company is promoting E-process of documents to reduce paper wastage; we are also applying natural lighting concepts and adjustable air-conditioning as well as establishing a robust waste management system in our buildings. The "Concepts of Environmental Protection" strategy targets to implant the green initiatives into the Group's supply chain from procurement to delivery of end products. This requires energy efficiency improvement in product designs, eco-friendly packaging, or even the transportation emissions. Last but not least, we also formulated the "Clean Energy" strategy to encourage the on-going transformation of the Company from the traditional energy sources to the increased utilisation of clean and renewable energy.

# Corporate Governance and Other Information

## CORPORATE SUSTAINABILITY – *continued*

### Our People

The Company recognises its employees as the most valuable asset and the primary force in sustaining its business growth. In terms of talent management, we follow the principles of diversity and merit, with a view to attracting a wide range of excellent talents to the Skyworth family. The Group also attaches great importance to employee development, and encourages its staff members to receive further education, to propose innovative ideas and make improvement. Meanwhile, Skyworth is committed to nurturing a healthy, diversified, fair, caring and inclusive workplace, through which it motivates staff members to put into practice the spirit of mutual help.

As at 30 June 2022, Skyworth employed around 29,500 full-time employees to serve different posts in the Group, including, among others, its management team, innovation development team, frontline manufacturing operation team, sales team and administration team.

The Group is committed to building a youthful and energetic team of employees. Over 34.1% of its staff are aged 30 or under, while around 57.7% of the remaining employees are aged between 31 and 50, only 8.2% of its staff are aged over 50. Geographically speaking, approximately 93% of its staff are based in operating and manufacturing locations of provinces and cities across China, while the rest are stationed in the Hong Kong head office or overseas subsidiaries, including a number of Southeast Asian countries (e.g. the Philippines, Indonesia, Thailand, Vietnam and Malaysia) and markets in Europe and America (e.g. Germany, the Netherland, France, Italy, the United Kingdom and the United States). Overall, the ratio of male to female employees of the Group is approximately 8:5.

For detailed information about the corporate sustainability practices of the Company, please refer to the Company's 2021 Environmental, Social and Governance Report.

## RISK MANAGEMENT

The Board acknowledges that risk management is one of the key controls to monitor the effectiveness of financial reporting and internal control systems within the Group. To enhance better corporate governance in these aspects, Risk Management Department was established.

### Risk Management 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 organizational goals and objectives by striving to provide a positive impact on:

- (a) efficiency and effectiveness of operating functions;
- (b) reliability of financial reporting;
- (c) status of implementation and effectiveness of the internal control policies and procedures; and
- (d) compliance with applicable laws and regulations.

The Head of Risk Management Department has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. During the Current Period and up to the date of this report, the Head of Risk Management Department attended 2 Audit Committee meetings to report the progress and findings of the works performed so far and to discuss the internal audit plan of the Group.

# Corporate Governance and Other Information

## INTERNAL CONTROLS

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

- (a) achieve business objectives and safeguard assets against unauthorised use or disposition;
- (b) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- (c) 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.

## Internal Audit Department

The Internal Audit Department was established since 1996, its principal duties are examining and evaluating the business operations of the sales offices and branches of all the business units and ensuring the compliance status of the Group's business units. Besides, the Internal Audit Department also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group.

During the Current Period, the Internal Audit Department carried out the audit works of certain major business units, and provided recommendations on management enhancement and operational efficiency.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Lin Jin as the Chairman, Mr. Liu Tangzhi as the Vice Chairman, Mr. Shi Chi as Executive Director and the Chief Executive Officer, Ms. Lin Wei Ping and Mr. Lam Shing Choi, Eric as Executive Directors; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement as Independent Non-executive Directors.

By Order of the Board

**Lin Jin**

*Chairman of the Board*

26 August 2022

# Glossary

"2014 Share Option Scheme"	share option scheme approved and adopted at the annual general meeting held on 20 August 2014
"2019 Leaseback Agreement"	the sale and leaseback agreement dated 25 April 2019 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Nanjing Golden Dragon Bus (as lessee) in respect of the initial sale of production equipment and motor vehicles by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee
"2020 Share Award Scheme"	share award scheme approved and adopted by the Board on 21 October 2020
"Audit Committee"	the audit committee of the Company
"Baidu"	Baidu Holdings Limited* (百度控股有限公司)
"Board"	the board of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"Company" or "Skyworth"	Skyworth Group Limited
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Coocaa Technology"	Coocaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司), an indirect non-wholly owned subsidiary of the Company
"COVID-19"	Coronavirus
"Current Period" or "Current Reporting Period"	for the six months ended 30 June 2022
"Director(s)"	the directors of the Company
"Double Carbon"	the carbon peak and carbon neutrality
"Executive Committee"	the executive committee of the Company
"Feb-2022 Leaseback Agreements"	three sale and leaseback agreements dated 24 February 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor), Nanjing Golden Dragon Bus (as lessee), Nanjing Chuangyuan Tiandi Energy (as lessee) and Nanjing Skywell Heavy Industries (as lessee) in respect of the initial sale of production equipment, project assets, transportation and electricity equipment by the lessees to the lessor, and the subsequent leaseback and buyback of the same by the lessees
"Framework Agreement"	the framework agreement dated 23 December 2021 entered into between Xiaopai and SSDT in relation to the sale by SSDT of electronic products manufactured/procured by it pursuant to the terms and conditions thereto
"Group" or "Skyworth Group"	the Company and its subsidiaries from time to time, and "Group Company" shall be construed accordingly
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC

# Glossary

“Huhehaote Skywell”	Huhehaote Skywell Automobile Co., Ltd.* (呼和浩特開沃汽車有限公司), a company established with limited liability in the PRC
“iQIYI”	Beijing iQIYI Science & Technology Co., Ltd.* (北京愛奇藝科技有限公司)
“Jun-2022 Leaseback Agreements”	four sale and leaseback agreements dated 8 June 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor), Nanjing Golden Dragon Bus (as lessee), Nanjing Chuangyuan Energy (as lessee), Huhehaote Skywell (as lessee) and Wuhan Skywell (as lessee) in respect of the initial sale of production, transportation, electricity and office equipment by the lessees to the lessor, and the subsequent leaseback and buyback of the same by the lessees
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mar-2022 Leaseback Agreement”	the sale and leaseback agreement dated 22 March 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Nanjing Golden Dragon Bus (as lessee) in respect of the initial sale of production, transportation and electricity equipment by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Wong”	Mr. Wong Wang Sang, Stephen who is a controlling shareholder of the Company, and the spouse of Ms. Lin Wei Ping and the father of Mr. Lin Jin, who are executive Directors
“Nomination Committee”	the nomination committee of the Company
“Nanjing Chuangyuan Energy”	Nanjing Chuangyuan Energy Technology Co., Ltd.* (南京創源動力科技有限公司), a company established with limited liability in the PRC
“Nanjing Chuangyuan Tiandi Energy”	Nanjing Chuangyuan Tiandi Energy Technology Co., Ltd.* (南京創源天地動力科技有限公司), a company established with limited liability in the PRC
“Nanjing Coolwell”	Nanjing Coolwell Technology Co., Ltd.* (南京酷沃智行科技有限公司), a company established with limited liability in the PRC
“Nanjing Golden Dragon Bus”	Nanjing Golden Dragon Bus Co., Ltd.* (南京金龍客車製造有限公司), a company established with limited liability in the PRC
“Nanjing Skywell Heavy Industries”	Nanjing Skywell Heavy Industries Co., Ltd.* (南京開沃重工有限公司), a company established with limited liability in the PRC
“Nanjing Skyworth Information”	Nanjing Skyworth Information Technology Institute Co., Ltd.* (南京創維信息技術研究院有限公司), a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company
“PRC” or “China”	People’s Republic of China
“Procurement Agreement”	the procurement agreement dated 27 April 2022 entered into between Nanjing Golden Dragon Bus and Skyworth Automobile in relation to the sale by Skyworth Automobile of automobile instrument panels manufactured by it pursuant to the terms and conditions thereto
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Repurchased Shares”	a total of 64,084,000 Shares were purchased by the Company on the Stock Exchange



# Glossary

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Shenzhen Chuangwei Financial Leasing"	Shenzhen Chuangwei Financial Leasing Company Limited* (深圳創維融資租賃有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Skyworth Automobile"	Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司), a company established under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company
"Skyworth Electric"	Skyworth Electric Co., Ltd.* (創維電器股份有限公司), an indirect non-wholly owned subsidiary of the Company
"Software Development Agreement"	the agreement dated 8 June 2022 entered into between Nanjing Skyworth Information and Nanjing Coolwell in relation to the development of the Software
"SSDT"	Shenzhen Skyworth Digital Technology Co., Ltd., a company established under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZSE"	Shenzhen Stock Exchange
"Target Success"	Target Success Group (PTC) Limited, a company incorporated in the British Virgin Islands
"Tencent"	Tencent Holdings Limited
"Vice Chairman"	the vice chairman of the Board
"Wuhan Skywell"	Wuhan Skywell Automobile Co., Ltd.* (武漢開沃汽車有限公司), a company established with limited liability in the PRC
"Xiaopai"	Shenzhen Xiaopai Technology Co., Ltd.* (深圳小湃科技有限公司), a company established with limited liability in the PRC
"%"	per cent