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SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

SKYWORTH GROUP LIMITED (the “Company”, together with its subsidiaries referred to as the “Group”) is an investment holdings company with subsidiaries principally engaged in manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products.

Highlights of Results

	Six months ended 30 June		
	<u>2022</u>	<u>2021</u>	
	RMB million	RMB million	Change
Revenue	24,284	22,567	7.6%
Gross profit	3,879	3,745	3.6%
Profit for the period	631	610	3.4%
Profit for the period attributable to owners of the Company	339	409	-17.1%
Proposed interim dividend per share (HK cents)	3	-	N/A

The Board has approved that the Company will utilise cash to conduct share buy-back, subject to the then prevailing market conditions.

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2022 (the “Current Period”), together with the comparative figures for the corresponding period in 2021 (the “six months ended 30 June 2021” or “Same Period of Previous Year”). The interim results have been reviewed by the audit committee of the Company (the “Audit Committee”). The Company’s auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed 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 notes to condensed consolidated financial statement 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.

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		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	5	(198)	(202)
Profit for the period	6	631	610
Other comprehensive (expense) income			
<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

	<u>NOTE</u>	Six months ended	
		30 June <u>2022</u> (unaudited)	30 June <u>2021</u> (unaudited)
Profit for the period attributable to:			
Owners of the Company		339	409
Non-controlling interests		292	201
		<u>631</u>	<u>610</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(25)	849
Non-controlling interests		295	204
		<u>270</u>	<u>1,053</u>
Earnings per share (expressed in Renminbi cents)			
Basic	8	<u>12.98</u>	<u>15.54</u>
Diluted	8	<u>12.96</u>	<u>14.44</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Amounts expressed in millions of Renminbi

	<u>NOTES</u>	As at 30 June <u>2022</u> (unaudited)	As at 31 December <u>2021</u> (audited)
Non-current Assets			
Property, plant and equipment		7,195	6,619
Right-of-use assets		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	9	367	25
Deferred tax assets		761	683
Other non-current assets		375	309
		<u>17,166</u>	<u>15,831</u>
Current Assets			
Inventories		8,742	7,791
Stock of properties		6,945	5,612
Financial assets at FVTPL		1,374	1,538
Trade and bills receivables	10	9,825	12,142
Other receivables, deposits and prepayments		4,138	4,092
Loan receivables	9	462	977
Prepaid tax		273	159
Pledged and restricted bank deposits		2,648	2,128
Bank balances and cash		9,823	10,611
		<u>44,230</u>	<u>45,050</u>

	<u>NOTES</u>	As at 30 June <u>2022</u> (unaudited)	As at 31 December <u>2021</u> (audited)
Current Liabilities			
Trade and bills payables	11	10,866	11,869
Other payables	12	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		9,108	8,892
Corporate bonds		876	77
		<u>33,378</u>	<u>31,325</u>
Net Current Assets		<u>10,852</u>	<u>13,725</u>
Total Assets less Current Liabilities		<u>28,018</u>	<u>29,556</u>
Non-current Liabilities			
Other payables		166	83
Other financial liabilities		135	340
Lease liabilities		81	95
Provision for warranty		131	135
Deferred income		284	265
Bank borrowings		5,397	5,370
Convertible bonds		-	956
Corporate bonds		-	798
Deferred tax liabilities		344	428
		<u>6,538</u>	<u>8,470</u>
NET ASSETS		<u>21,480</u>	<u>21,086</u>
Capital and Reserves			
Share capital		270	273
Reserves		<u>17,371</u>	<u>17,772</u>
Equity attributable to owners of the Company		17,641	18,045
Non-controlling interests		<u>3,839</u>	<u>3,041</u>
		<u>21,480</u>	<u>21,086</u>

NOTES:

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 announcement 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.

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)

Type of goods	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
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
Segment revenue	10,848	6,199	2,099	4,206	932	24,284

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

Type of goods	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
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
Segment revenue	12,826	4,599	2,200	829	2,113	22,567

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.

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 valued-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.

4. SEGMENT INFORMATION – continued

Segment revenue and results

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

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	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
Revenue								
Segment revenue from external customers	10,848	6,199	2,099	4,206	23,352	932	-	24,284
Inter-segment revenue	53	40	41	1	135	821	(956)	-
Total segment revenue	<u>10,901</u>	<u>6,239</u>	<u>2,140</u>	<u>4,207</u>	<u>23,487</u>	<u>1,753</u>	<u>(956)</u>	<u>24,284</u>
Results								
Segment results	<u>218</u>	<u>501</u>	<u>38</u>	<u>148</u>	<u>905</u>	<u>298</u>	<u>-</u>	<u>1,203</u>
Interest income								128
Other gains and losses								(149)
Unallocated corporate income								67
Unallocated corporate expenses								(162)
Finance costs								(243)
Share of results of associates and joint ventures								(15)
Consolidated profit before taxation of the Group								<u>829</u>

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	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
Revenue								
Segment revenue from external customers	12,826	4,599	2,200	829	20,454	2,113	-	22,567
Inter-segment revenue	44	114	45	-	203	2,678	(2,881)	-
Total segment revenue	<u>12,870</u>	<u>4,713</u>	<u>2,245</u>	<u>829</u>	<u>20,657</u>	<u>4,791</u>	<u>(2,881)</u>	<u>22,567</u>
Results								
Segment results	<u>34</u>	<u>188</u>	<u>42</u>	<u>57</u>	<u>321</u>	<u>536</u>	<u>-</u>	<u>857</u>
Interest income								144
Other gains and losses								156
Unallocated corporate income								26
Unallocated corporate expenses								(135)
Finance costs								(238)
Share of results of associates and joint ventures								2
Consolidated profit before taxation of the Group								<u>812</u>

5. INCOME TAX EXPENSE

	Six months ended	
	30 June	30 June
	2022	2021
	RMB million	RMB million
	(unaudited)	(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)
	<u>198</u>	<u>202</u>

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.

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.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2022	30 June 2021
	RMB million (unaudited)	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)
	<u>45</u>	<u>47</u>
Depreciation of investment properties	44	40
Depreciation of property, plant and equipment	396	363
Less: capitalised as cost of inventories	(124)	(116)
	<u>272</u>	<u>247</u>
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)
	<u>1,694</u>	<u>1,667</u>
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
	<u><u>106</u></u>	<u><u>42</u></u>

7. 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.

8. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2022	30 June 2021
	RMB million (unaudited)	RMB million (unaudited)
Earnings:		
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	<u>339</u>	<u>380</u>
Number of shares:		
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	<u>4,807,877</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,615,743,838</u>	<u>2,631,476,890</u>

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.

9. 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
	<u>829</u>	<u>1,002</u>
Analysed for reporting purpose as		
Non-current assets	367	25
Current assets	462	977
	<u>829</u>	<u>1,002</u>

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).

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

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 <u>2022</u>	As at 31 December <u>2021</u>
Effective interest rate:		
Fixed-rate loan receivables	4.80% - 12.00%	4.90% - 12.00%

10. TRADE AND BILLS RECEIVABLES

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

10. 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
	<u>8,283</u>	<u>9,146</u>

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 to 60 days	186	465
61 to 90 days	198	753
91 days or over	837	1,355
Bills endorsed to suppliers with recourse	84	66
	<u>1,542</u>	<u>2,996</u>

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 11.

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.

11. TRADE AND BILLS PAYABLES

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

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

	As at 30 June <u>2022</u> RMB million (unaudited)	As at 31 December <u>2021</u> 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
	<u>7,636</u>	<u>8,736</u>

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

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

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

12. OTHER PAYABLES

	As at 30 June <u>2022</u> RMB million (unaudited)	As at 31 December <u>2021</u> 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
	<u>6,256</u>	<u>6,175</u>
Analysed for reporting propose as		
Current liabilities	6,090	6,092
Non-current liabilities	166	83
	<u>6,256</u>	<u>6,175</u>

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

13. PLEDGE OF AND RESTRICTION ON ASSETS

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

	As at 30 June <u>2022</u> RMB million (unaudited)	As at 31 December <u>2021</u> 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
Bill receivables	84	66
	<u>4,236</u>	<u>4,150</u>

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.

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 Coronavirus ("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)
	<i>Unit ('000)</i>	<i>Unit ('000)</i>	
PRC Market	2,469	2,881	(14.3%)
Overseas Markets	3,877	3,852	0.6%
Total smart TV systems sales volumes	6,346	6,733	(5.7%)

(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 revenue overseas 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
	100	100

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

(b) Business Review by Business Sectors

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

1. Multimedia Business

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

For the 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.

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: Beijing iQIYI Science & Technology Co., Ltd.* (北京愛奇藝科技有限公司) ("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited* (百度控股有限公司) ("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司) ("Coocaa Technology", an indirect non-wholly owned subsidiary of the Company).

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

2. *Smart Systems Technology Business*

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

For the 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 Co., Ltd.* (創維電器股份有限公司) (“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 Shenzhen Stock Exchange (“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.

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 carbon peak and carbon neutrality (“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).

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.

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.

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 of air-conditioners
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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 their own OTT platforms through in-depth cooperation with financial institutions in mobile payment, Skyworth Group therefore made a medium to long-term investment in Bank of Gansu Co., Ltd.

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 the companies 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.

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 is 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.

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 announcement, the Group did not have any material events.

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 Corporate Governance Code contained in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "CG Code").

During the Current Period and up to the date of this announcement, 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.

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 announcement, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "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.

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

During the Current Period, the Company has purchased a total of 64,084,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Repurchased Shares") 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.

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.

INTERIM DIVIDEND

The Board has proposed an interim dividend for the Current Period of HK3 cents (in cash) per share of the Company (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 announcement 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (<http://investor.skyworth.com/en/index.php>) and the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>). The Company's 2022 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions to the Group throughout the Current Period.

By order of the Board
Skyworth Group Limited
Lin Jin
Chairman of the Board

Hong Kong, 26 August 2022

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Lin Jin (Chairman), Mr. Liu Tangzhi (Vice Chairman), Mr. Shi Chi (Chief Executive Officer), Ms. Lin Wei Ping and Mr. Lam Shing Choi, Eric; and three independent non-executive Directors, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement.

** For identification purposes only*